Standard Chartered Bank

Reference Number ZC18

Directors' Report and Financial Statements

31 December 2021

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

Cusrow Homi Cooper
Financial Controller, Hong Kong

Contents

Our business

The bank for the new economy

We are the bank for the new economy – of people and ideas, of technology and trade.

We have built a strong foundation in the world's most dynamic markets, serving the people and businesses that drive their growth. We thrive at the frontline of today's biggest challenges and are taking a stand for impact – on climate change, economic participation and globalisation. Our collaborative approach to innovation and drive to be diverse and inclusive mean we can do more, better and faster.

Our purpose to drive commerce and prosperity through our unique diversity, and our heritage and values are expressed in our brand promise, Here for good.

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

About this report

Sustainability reporting – We adopt an integrated approach to corporate reporting, embedding non-financial information throughout our Annual Report.

Alternative performance measures – The Group uses a number of alternative performance measures in the discussion of its performance. These measures exclude certain items which management 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
linkedin.com/company/standard-chartered-bank
facebook.com/standardchartered

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

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

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

Within the tables in this report, blank spaces indicate that the number is not disclosed, dashes indicate that the number is zero and nm stands for not meaningful. Standard Chartered Bank is incorporated in England and Wales with limited liability and is headquartered in London. The Group's head office provides guidance on governance and regulatory standards.

Our business

Confidence in our purpose and strategy

Despite external challenges, we have continued to make good progress against the strategy we set out in February 2019 and are on track to deliver our objectives. As highlighted in last year's report, we refreshed our 2019 strategy into four strategic priorities and three enablers to guide us from our transformational phase to becoming a leader in global finance. In light of the pandemic, we have reviewed our strategy and are confident that it remains fit for purpose and will enable us to realise our ambitions.

We measure our progress against Group key performance indicators (KPIs), a selection of which are below. Our Group KPIs include non-financial measures reflecting our commitment to sustainable social and economic development across our business, operations and communities. Our Sustainability Aspirations, aligned to the UN Sustainable Development Goals, provide tangible targets to drive sustainable business outcomes.

Urgent climate change, stark inequality and unfair aspects of globalisation impact everyone and the planet. We are setting long-term ambitions to play our part in tackling these issues. Together with the people and businesses we serve, we can be central to the transition to a fair, sustainable future.

This is why we have committed to three Stands: Accelerating Zero, Lifting Participation and Resetting Globalisation.

FINANCIAL KPIs AND MEASURES

Underlying basis

Return on tangible equity

6.9%

↑645bps

Read more on (page 20)

Operating income

$8,914m

↓4%

Read more on (page 20)

Profit before tax

$2,748m

↑131%

Read more on (page 20)

Statutory basis

Return on tangible equity

5.5%

↑747bps

Read more on (page 21)

Operating income

$8,860m

↓4%

Read more on (page 21)

Profit before tax

$2,381m

↑344%

Read more on (page 21)

Common Equity Tier 1 ratio

12.3%

↓41bps

Read more on (page 20)

NON-FINANCIAL KPIs

Diversity and inclusion: Women in senior roles

28.7%

↑1.7 ppt

Basis point (bps) and percentage movements are in relation to 31 December 2020, with brackets representing negative movements

Our business

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

Standard Chartered Bank is a material subsidiary of the PLC Group for the purposes of the Bank of England led single point of entry preferred resolution strategy for the PLC Group. The Group is a core part of, and critical provider of essential services to the PLC Group and is fundamental to the delivery of the PLC Group's purpose, franchise and strategy. The formation of an ASEAN hub was completed in 2021, following the transfers of Malaysia, Thailand and Vietnam subsidiaries under our existing Singapore subsidiary entity, which itself remains under Standard Chartered Bank.

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

The Group's Credit Ratings

The Group remains a highly rated institution (in both absolute and relative terms) with the following long and short-term issuer ratings all with a stable outlook. S&P upgraded Standard Chartered Bank in December 2021 to A+ from A. The upgrade was driven by a methodology change, supported by strengthened risk management, COVID-19 resilience and an increase in loss-absorbing capacity.

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

Our business

Who we are and what we do

Our purpose is to drive commerce and create prosperity through our unique diversity. We serve two client segments in three regions, supported by nine global functions.

Our client segments

Corporate, Commercial & Institutional Banking

Corporate, Commercial and Institutional Banking supports clients with their transaction banking, financial markets, corporate finance and borrowing needs across our markets. We provide solutions to our clients in some of the world's fastest-growing economies and most active trade corridors.

Operating income

$5,703m
Underlying basis

$5,670m
Statutory basis

Consumer, Private & Business Banking

Consumer, Private and Business Banking serves individuals and small businesses, with a focus on affluent and emerging affluent in many of the world's fastest growing cities.

Operating income

$2,679m
Underlying basis

$2,679m
Statutory basis

Central & other items

Operating income

$532m
Underlying basis

$511m
Statutory basis

Total operating income

Operating income

$8,914m
Underlying basis

$8,860m
Statutory basis

Our business

Our regions

Asia
Our largest markets by income are Singapore and India.

Operating income

$4,274m
Underlying basis

$4,263m
Statutory basis

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

Operating income

$2,435m
Underlying basis

$2,438m
Statutory basis

Europe & Americas
Centred in London, with a growing presence across continental Europe, and New York, with presence in both North America and several markets in Latin America. A key income generator for the Group.

Operating income

$2,006m
Underlying basis

$1,975m
Statutory basis

Central & other items (region)
Operating income

$199m
Underlying basis

$184m
Statutory basis

Total operating income
Operating income

$8,914m
Underlying basis

$8,860m
Statutory basis

Global functions

Guiding and supporting our businesses

Our client-facing businesses are supported by our global functions, which work together to ensure the Group's operations run smoothly and consistently

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

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

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

Risk
Responsible for the sustainability of our business through good management of risk by providing oversight and challenge, ensuring that business is conducted in line with regulations.

Operations
Responsible for all client operations end-to-end and ensures meeting the needs of our clients is at the heart 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 Management and Property.

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

Group Internal Audit
An independent function whose primary role is to help the Court 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, compliance and fighting financial crime.

Valued behaviours

Our valued behaviours demand that we do things differently, in order for us to succeed. Only then will we realise our potential and truly be Here for good.

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

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

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

Where we operate

Our unique footprint connects emerging and high-growth markets with more established economies, allowing us to channel capital where it's needed most. These are the markets we call home, and our deep roots in them enable us to make things happen. For over 160 years, we have used the power of our network to help customers who trade, operate or invest in these regions. Our deep roots in our markets enable us to make things happen. We are shaping our bank to drive their success – and ours – in the new economy of the future. What sets us apart is our diversity – of people, cultures and networks.

We are present in 58 markets.

Asia

We have a long-standing and deep franchise across some of the world's fastest-growing economies in Asia. The two markets contributing the highest income are Singapore and India.

Australia
Bangladesh
Brunei
Cambodia
Hong Kong
India
Indonesia
Japan
Laos
Macau
Mainland China
Malaysia
Myanmar
Nepal
Philippines
Singapore
Sri Lanka
Taiwan
Thailand
Vietnam

Africa & Middle East

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

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

Europe & Americas

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

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

Market environment

Macroeconomic factors affecting the global landscape

Global macro trends

Trends in 2021

- Global GDP recovered sharply in 2021, likely by 5.8 per cent, following the 3.3 per cent contraction in 2020.
- Asia was the best performing region, recording growth of 7.2 per cent, driven by positive growth in China of 8.1 per cent.
- Amongst the majors, the US recorded growth of 5.7 per cent helped by significant fiscal stimulus. The UK recorded the strongest growth (likely 7.5 per cent), following a near-10 per cent contraction in 2020.
- The euro-area economy grew by 5.2 per cent in 2021 following a 6.4 per cent contraction in 2020; the economic activity was constrained in Q1 as COVID-19 cases were elevated, but improved into Q2 and Q3 as the vaccine rollout picked up momentum, allowing restrictions to be eased.
- Policy makers continued to provide significant emergency support, but rising inflation across the world as a result of supply chain disruptions and energy shortages has prompted some central banks to begin tightening policy and others to accelerate their timetables.

Outlook for 2022

- Global growth is expected to moderate to 4.4 per cent in 2022.
- Asia will remain the fastest growing region in the world and will continue to drive global growth, expanding by 5.7 per cent.
- Amongst the majors, the euro-area is expected to record a larger bounce (4.0 per cent) than the US (3.4 per cent) but largely as there will still be spare capacity to unwind.
- The COVID-19 outbreak is likely to remain a drag on growth in regions where vaccination rates are low but should become a secondary risk for most developed markets.
- Policy support will be scaled back as more central banks shift towards tightening policy to counter inflation, and fiscal programmes are eased as governments shift their focus towards returning public finances to a sustainable footing.
- There are several downside risks to this outlook including further delays to the roll-out of COVID-19 vaccines in emerging markets, longer-than-expected supply chain disruptions, higher inflation becoming embedded in households' and firms' expectations, or a geopolitical event risk resulting in another commodity price spike.

Medium and long-term view

Legacy of COVID-19

- Better vaccine access has helped developed markets recover faster than emerging markets. As the pace of vaccinations improves in emerging markets, allowing greater resumption of economic activity, growth in emerging markets will improve over the medium-term
- Inflation concerns are likely to fade over the medium-term as energy prices likely moderate and supply chain bottlenecks are resolved. This is likely to mean only limited policy tightening by central banks that should be broadly supportive of growth
- Fiscal policy might turn from a tailwind to a headwind for growth. High public debt and government deficits also mean that most economies are looking to tighten fiscal policy over the medium-term following the significant stimulus that accompanied COVID-19
- COVID-19 has brought a renewed focus on supply chain concentration risks. Companies are likely to continue to accelerate the shortening and simplifying of supply chains
- As companies aim to reduce concentration risks, they may diversify production away from China, the world's mega-trader. However, Global research surveys of firms in the Greater Bay area indicate that China remains a preferred destination for most, followed by Association of South East Asian Nation (ASEAN) economies

Broader global trends

- The world economy could see a permanent loss of economic output or 'scarring' due to the recession that followed the pandemic. This would make it harder for emerging markets to catch-up with developed markets
- COVID-19 has accelerated the pace of digitalisation of economies. Higher capex and moves towards digitalisation could boost productivity growth, proving an anti-dote to economic scarring concerns. Within emerging markets, countries in Asia are best placed to take advantage of digitalisation
- Long-term growth in the developed world is constrained by ageing populations and high levels of debt, exacerbated by the policy response to COVID-19
- Relatively younger populations, as well as the adoption of digital technology, will allow emerging markets to become increasingly important to global growth
- Rising nationalism, anti-globalisation and protectionism are a threat to long-term growth prospects in emerging markets

Regional outlooks

Actual and projected growth by country in 2021 and 2022 per cent

		2022	2021
Asia	China	5.3 per cent	8.1 per cent
	Hong Kong	2.3 per cent	6.3 per cent
	Korea	2.9 per cent	3.9 per cent
	India	8.0 per cent	9.5 per cent
	Indonesia	4.8 per cent	3.6 per cent
	Singapore	4.1 per cent	7.0 per cent
Africa & Middle East	Nigeria	3.1 per cent	2.5 per cent
	UAE	3.0 per cent	2.5 per cent
Europe & Americas	UK	5.0 per cent	7.5 per cent
	US	3.4 per cent	5.7 per cent

Trends and outlook for our three regions

Asia

- China's GDP grew by 8.1 per cent in 2021, benefiting from strong external demand and a low base. We forecast 2022 growth at 5.3 per cent, closer to the lower bound of its estimated potential growth range of 5-6 per cent. We see upside risk from an easing of auto chip shortages and downside risk from prolonged weak housing demand amid expectations of a price correction.
- While innovation, decarbonisation and common prosperity rank high on China's long-term agenda, the government has put growth stabilisation as the top priority in 2022. We expect macro policies to be eased, especially in H1, and the pace and intensity of regulatory tightening to be finetuned to bolster domestic demand.
- We expect Hong Kong's economy to grow by 2.3 per cent in 2022 supported by global (and especially China) trade as post-COVID normalisation broadens, and the continued improvement in the local job market supporting domestic consumption. We expect South Korea's economy to grow 2.9 per cent in 2022 supported by economic reopening and external trade.
- We expect ASEAN as a region to play catch up in terms of economic growth recovery versus developed markets (DMs) in 2022. Economic growth should improve as restrictions are eased and as higher vaccination rates limit the severity of any new lockdowns. The recovery may however be bumpy, especially in economies where current vaccination rates are still below herd levels, for example, Indonesia, and Philippines
- We expect inflation in ASEAN to remain manageable for most regional economies although upside risk comes from prolonged supply side disruptions and as demand recovers in the region through 2022. This should allow monetary policy to remain accommodative in H1-2022.
- India is likely to clock two successive years of high single digit growth buoyed by favourable base effect and recovering economic activity. We expect FY23 GDP growth of 8 per cent as more contact intensive sectors revert to normalised activity with increased vaccination coverage continued fiscal policy support and better real wages. Inflation has been persistently high since late 2019 and better recovery is likely to push policy rate normalisation in 2022.

Africa & Middle East

- We expect the continuation of a modest economic recovery in the Sub-Saharan Africa (SSA) region, with our coverage economies growing at an average of 3.1 per cent in 2022, from c.3.8 per cent in 2021.
- Although the pace of vaccine administration has been slower in SSA compared with elsewhere, economic reopening in trading partners, rising global demand, and higher commodity prices have helped to provide firmer underpinnings to SSA growth. We do not expect significant new containment measures in 2022, with earlier lockdowns and curfews having an increasingly less severe impact on the economy.
- Despite rising inflation on higher food and fuel prices, we expect monetary policy in the region to remain largely accommodative, with modest normalisation measures in most markets.
- Given that the COVID-shock left most SSA economies with elevated public debt ratios, fiscal policy consolidation will remain a key ambition, as SSA economies attempt to safeguard market access. In the case of East African economies, adoption of IMF programmes is meant to send a signal on the intent to pursue fiscal consolidation in order to stabilise debt ratios.
- The Middle East region is likely to be on a divergent recovery path with oil exporting countries bouncing back faster versus oil importing countries, which remain constrained by high levels of debt. The pace of vaccination rollout proved more rapid among oil exporters, with countries like the UAE leading the charge. The strong outlook for hydrocarbon prices and expected relaxation of targets for OPEC members is set to underpin the region's liquidity prospects in 2022. Improvements in oil exporters' fiscal and current account balances will boost the region's reserve position, leading to lower funding needs and preserving $ currency pegs.

Europe & Americas

- Growth in Europe and Americas is likely to slow in 2022 as output gaps shrink and policy support is gradually eased back.
- COVID-19 will still present risks in early 2022 given the threat of new variants, and as booster vaccine programmes will take time to fully roll out, but supply chain disruptions (along with higher energy costs and potential shortages in Europe) will be the major headwind to growth.
- We expect inflationary pressures to remain high at least through H1 2022, but disinflation should kick in heading into H2.
- A further escalation in tensions between Russia and Ukraine and the potential introduction of sanctions could have a negative impact on European economies and banks.
- The Fed is likely to begin hiking rates by Q1 2022, but only gradually thereafter, with one more hike in June 2022 and two further 25bps hikes expected in 2023. The European Central Bank (ECB) is likely to begin rate hikes in H2-2022. Both the Fed and ECB are in the process of tapering their assets purchase programmes.
- The trade environment is likely to continue improving, but there are risks to the EU-UK trade agreement amid a broader rise in political tensions.
- In Latin America, we expect growth to moderate in 2022 as domestic demand normalizes, while exports are expected to remain strong amid high commodity prices and improved supply-side constraints.

Business model

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

Our business

Corporate, Commercial and Institutional Banking (CCIB)
We support companies across the world, from small and medium-sized enterprises to large corporates and institutions, both digitally and in person.

Consumer, Private and Business Banking (CPBB)
We support small businesses and individuals, from mass retail clients to affluent and high-net-worth individuals, both digitally and in person.

Starting Q1 2022, we will be disclosing SC Ventures and related entities as a separate client segment.

Our products and services

Financial Markets
- Project and transportation finance
- Debt capital markets and leveraged finance
- Macro, commodities and credit trading
- Financing and securities services
- Sales and structuring

Transaction Banking
- Cash management
- Trade finance
- Working capital

Wealth Management
- Investments
- Insurance
- Wealth advice
- Portfolio management

Retail Products
- Deposits
- Mortgages
- Credit cards
- Personal loans

How we generate returns

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

Income
- Net interest income
- Fee income
- Trading income

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

Return on tangible equity
- Profit generated relative to tangible equity invested

What makes us different

Our purpose is to drive commerce and prosperity through our unique diversity – this is underpinned by our brand promise, Here for good. Our Stands – aimed at tackling the world's biggest issues – Accelerating Zero, Lifting Participation and Resetting Globalisation, challenge us to use our unique position to help.

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

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

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

Sustainable and responsible business
We're committed to sustainable social and economic development across our business, operations and communities.

How we are shaping our future

We are continuously looking for ways to improve our business model to accelerate returns
In January 2021, we further streamlined our Corporate, Commercial & Institutional Banking (CCIB) segment, integrating our Corporate Finance and Financial Markets businesses. The integration will create a simplified origination and distribution engine driving balance sheet velocity and an improved client offering.

In addition, we remain focused on productivity. In 2021, we have digitised businesses, driving process improvements through automation and simplification, optimised target operating models, reduced property space and changed the way we work, to achieve productivity improvements and cost reduction. We continue to seek further opportunities to generate productivity saves to continue to ensure we remain benchmarked against peers.

Going forward, we aim to deliver a return on tangible equity (RoTE) of around 10%, by focusing on driving improved returns in CCIB, transforming profitability in CPBB, improving efficiency through creating operational leverage and delivering sustainable shareholder distributions.

We are committing resources to grow our franchise in the large and high-returns markets, sustaining and accelerating progress in the three optimal" markets announced in February 2019 (India, UAE, Indonesia). We have also stepped up our review of each of our client segments, markets and products and services.

The sources of value we rely on

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

Human capital
Diversity differentiates us. Delivering our Purpose and Stands rests on how we continue to invest in our people, the employee experience we further enhance and the culture we strengthen.

How we're enhancing our resources
- More than 16,500 colleagues have completed learning courses in 2021 to build the future skills that we need – including analytics, data, digital, cybersecurity and sustainable finance
- We continue to create a work environment that supports resilience, innovation and inclusion, with ongoing focus on mental, physical, social and financial well-being. This includes rolling out hybrid-working arrangements across our markets.

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

How we're enhancing our resources
- In 2021 we evolved our brand identity to become a digital-first brand, reflecting the innovation that drives our business forward. The refreshed Standard Chartered identity is modern, dynamic and agile, adapted for the digital world and representing our commitment to stay relevant to our clients and their evolving needs
- We have been successful in leveraging brand and insights to support business growth. The Group successfully improved its reputation in 2021, exceeding the average score for the banking sector, and ranking top three in the majority of our key markets over 2021

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

How we're enhancing our resources

- We continue to invest in transforming our core business into a leading digital first and data-driven platform, positioning us to deliver superior client experiences, access new high-growth segments, grow wallet with existing clients and create new business model opportunities
- Our network remains one of our key competitive advantages and we continue to leverage our network to drive growth in Trade from "West to East" corridors and financial markets solutions for our clients

Local expertise

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

How we're enhancing our resources

- We continue to support small and medium businesses (SMEs), providing them with much needed funding to restart and grow their businesses amid the re-opening of economies.
- We increased our focus on SMEs participating in the New Economy, in particular those who are part of e-commerce ecosystems

Financial strength

With $545 billion in assets on our balance sheet, we are a strong, trusted partner for our clients.

How we're enhancing our resources

- Stronger capital and much more resilient balance sheet with growth in high quality deposits.
- Common Equity Tier 1 (CET1) ratio at 12.3 per cent

Technology

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

How we're enhancing our resources

- We value the engineering excellence culture. Globally over 10,000 engineers are designing and building the best-in-class technology stack which is highly scalable and supports a fast turnaround of ideas into service
- We are accelerating our cloud transformation journey, moving significant applications to be cloud-based including our core banking, payment and trading systems and new digital ventures
- We adopt next-generation technologies to better serve our customers, improves efficiencies and deliver new business opportunities.

The value we create

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

Clients

We want to deliver easy, everyday banking solutions to our clients in a simple and cost-effective way, and with a great customer experience. We enable individuals to grow and protect their wealth; we help businesses trade, transact, invest, and expand; and we also help a variety of financial institutions, including banks, public sector and development organisations, with their banking needs.

Employees

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

Society

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

Suppliers

We engage diverse suppliers, both locally and globally, to provide efficient and sustainable goods and services for our business.

Regulators and governments

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

Investors

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

Our strategy
To become a leader in global finance

Over the past several years, we have conducted a bottom-up review of our strategy. While we could have done more in a few areas, such as faster tackling of low returning risk weighted assets (RWA) in CCIB, further simplifying the way we operate, and being even more aggressive in transforming our business processes and generating additional savings, we still believe our strategy is the right one. We have made good progress in the year, and are on track to deliver our objectives.

Going forward, we remain committed to these objectives to achieve PLC Group's ambitions by 2025:

- To be the number one wholesale digital banking platform
- To be among the top three affluent brands
- Double our mass presence
- Become a market leader in sustainability

We will continue to focus on:

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

We are anchoring our strategic priorities and enablers are in our three Stands. They are: Accelerating Zero; Lifting Participation and Resetting Globalisation. More details on our Stands are described on pages 15 – 16. Throughout this section, we will highlight the linkages of our strategic priorities to our Stands.

Strategic priorities

Wholesale network business
Through our unique network, we facilitate investment, trade and capital flows, providing a starting point in achieving our stand of resetting globalisation. We have also started on our journey towards our stand of accelerating zero, by focusing on sustainable finance.

We are the one of the leading international wholesale banks in our emerging markets footprint through:

- Taking leading positions in high-returning, high-growth sectors
- Delivering a market-leading digital platform by continuing to invest in core digital capabilities
- Driving 'capital lite' products while building a sustainable finance franchise and expanding our origination and distribution ecosystem e.g. accelerating our Financial markets growth
- Speeding up growth in large markets while expanding in growing markets and corridors e.g. intra-Asia and East-West

Affluent client business
We offer outstanding personalised advice and exceptional experiences for our Private,Priority and Premium Banking clients to help them grow and prosper internationally and at home. Providing access to sustainable investments is a key differentiator, supporting our Stand of Accelerating Zero.

As a leading international wealth manager in Asia across the Affluent continuum, we are:

- Unlocking the value of the Affluent client continuum across Asia, Africa and the Middle East, with suitable client propositions, coverage models and advisory capabilities
- Maximising the reach of our diverse network through international banking, complemented by a strong focus on developing Hong Kong and Singapore as key international wealth centres
- Continuing to grow our wealth business, which saw double digit asset growth over the last three years, with propositions anchored in investment thought leadership, an open architecture approach, personalised advice at scale and an integrated digital-hybrid experience

Mass retail business
We help our clients prosper and deliver everyday banking solutions by integrating our services into their digital lives.

New digital solutions, strategic partnerships and advanced analytics are instrumental to our business, enabling us to significantly increase our reach and relevance to serve clients in a meaningful way, supporting our stand of lifting participation. We are:

- Transforming to a digital first model and building enablers to be the partner of choice to leading global and regional companies
- Enhancing our value proposition and deepening our capabilities across digital sales and marketing as well as data and analytics

- Growing the share of our mass retail client income from new innovative business models

Sustainability
In Sustainability, we continue to focus on sustainable and transition finance, supporting our stand of accelerating zero. We provide access to finance, networks and training to young people, contributing to our stand of lifting participation of communities across our network. We support companies in improving social, environmental and governance standards, supporting our stand of resetting globalisation.

Our goal is to become the world's most sustainable and responsible bank and the leading private sector catalyser of finance for UN Sustainable Development Goals (SDGs) where it matters most – in Asia, Africa and Middle East we are:

- Leveraging climate risk management to support clients in managing climate risk and identifying transition opportunities e.g. mobilise green and transition finance
- Integrating sustainable finance as a core component of our customer value proposition and delivering sustainable finance solutions
- Continuing to promote economic inclusion and tackle inequality in our footprint through Futuremakers by Standard Chartered
- Targeting net zero carbon emissions from our operations by 2025, and from our financing by 2050

People and culture
We are continuing to invest in our people to build future-ready skills, provide them a differentiated experience and strengthen our culture of innovation and inclusion. This includes:

- Expanding hybrid working across our footprint, with 83% of colleagues across 25 markets already on hybrid-working arrangements in 2021
- Embedding our refreshed approach to performance, reward and recognition that puts greater focus on outperformance through collaboration and innovation
- Increasing re-skilling and upskilling opportunities towards future roles that are aligned with the business strategy and individuals' aspirations
- Focusing on well-being to enhance individual resilience, productivity and performance

New ways of working
We continue to embrace client first, mature our operating rhythm in organizational agility and empower our people to continuously improve the way we work. We are working on identifying ways to track derived value and enhance our speed of decision making and delivery, as a key source of competitive advantage.

Innovation
We have a three-pronged innovation approach to transform the bank, to achieve our goal of 50% income from new businesses.

- Transform our core via digitization
- Leverage partnerships to drive scale and extend reach
- Build new business models to create value

We will also establish SC Ventures and related entities as a separate client segment in 2022, to further drive innovation differentiation and disruptive growth.

Our Stands

The severe impacts of climate change, stark inequality and unfair aspects of globalisation impact everyone on the planet. We are taking a stand, setting long-term ambitions for our role on these issues where they matter most. This works in unison with our strategy, stretching our thinking, our action and our leadership to accelerate our growth.

- We have defined three 'stands' – which is our name for long-term ambitions on societal challenges
- These are not separate from our strategy. They are integral to delivering and accelerating our strategy, because they will stretch our thinking, our action and our leadership
- We will use our unique abilities to connect the capital, people and ideas needed to address the significant socio-economic challenges and opportunities of our time
- Each of these stands will impact how we engage with our clients and define the future of our societies
- We already have significant progress to show in each area and we will be setting long-term goals as we deliver near term

- This is not philanthropy: we will drive scalable, sustainable commercial growth and transform our franchise. You will see us increasingly active in these areas

Accelerating Zero

We're helping emerging markets in our footprint reduce carbon emissions as fast as possible, without slowing development, putting the world on a sustainable path to net zero by 2050. We stand for a rapid, just transition to net zero where it matters most. Our plan to achieve net zero targets has three aims: reduce emissions, catalyse finance and partnerships, and accelerate new solutions.

- The world needs to reach net zero by 2050 or face a climate catastrophe with increasing extreme weather events and climate-induced migration
- We have a unique role to play in facilitating a just transition to net zero carbon where it matters most: across Asia, Africa and the Middle East
- We aim to reduce the emissions associated with our financing activities to net zero by 2050, with 2030 interim targets in our most carbon-intensive sectors
- We aim to reduce absolute financed thermal coal-mining emissions by 85 per cent by 2030, in addition to a prohibition on financing new or expanding coal-fired power plants, and revenue based carbon-intensity of 63 per cent for power, 33 per cent respectively for steel and mining (excluding thermal coal mining), 30 per cent for oil and gas
- We aim to catalyse finance and partnerships to scale impact, capital and climate solutions to where they are needed most, including a plan for PLC Group to mobilise USD300 billion in green and transition finance between 2021 and 2030
- We aim to accelerate new solutions to support a just transition in our markets, including a new dedicated Transition Acceleration Team to support clients in high-emitting sectors, and launch sustainable products
- We aim to reach net zero carbon emissions from our own operations by 2025

Lifting Participation

We're determined to improve the lives of 1 billion people and their communities by unleashing the financial potential of women and small businesses in our core markets. We stand for equitable access to financial support for women and small business.

- Inequality, along with gaps in economic inclusion in our key markets, means that many young people, women and small businesses struggle to gain access to the financial system to save for their futures and grow their businesses. We want to democratise wealth management and make it easily accessible to the mass segment at low cost
- Through partnerships and technology, we can expand the reach and scale of financial services – driving accessible banking at scale and connecting clients to opportunities that promote access to finance and economic inclusion. By developing new digital business models, we're able to grow our business while unleashing opportunity for millions more people

Resetting Globalisation

It's PLC Group's goal to support 500,000 companies to improve working and environmental standards and give everyone the chance to participate in the world economy, so growth becomes fairer and more balanced. We stand for a new model of globalisation based on transparency, inclusion and dialogue.

Globalisation has lifted millions out of poverty, but too many people have been left behind, and division and inequality have grown, along with negative impacts on our planet.

We believe in the potential of globalisation to enable economic growth and increase participation in the world economy – but in its current form, it must be reimagined to ensure that it best serves all people, everywhere.

We advocate a new, more inclusive model of globalisation based on transparency and fairness, building trust, and promoting the exchange of views and innovation to solve the world's toughest problems.

As a leading trade bank, we can connect the capital, expertise and ideas needed to drive new standards and create innovative solutions for more equitable and sustainable growth.

Specifically, we aim to:

- Increase transparency across supply chains to enable consumer choice and drive responsible trade
- Bring enhanced levels of security, tracking and confidence to financial activity
- Provide access to the best and most innovative solutions to both private and public sector
- Support several companies to improve working and environmental standards and giving everyone the chance to participate in the world economy, so growth becomes fairer and more balanced
- Make global trade more equitable by improving access to finance for smaller suppliers who often lack adequate financing

Client segment reviews

Corporate, Commercial & Institutional Banking

Profit before taxation

$2,289m
Underlying basis

$2,181m
Statutory basis

Segment overview

Corporate, Commercial & Institutional Banking supports clients with their transaction banking, financial markets, corporate finance and borrowing needs across 49 markets. We provide solutions to several clients in some of the world's fastest-growing economies and most active trade corridors.

Our clients include governments, banks, investors and local and large corporations operating or investing mainly in Asia, Africa and the Middle East. Our strong and deep local presence across these markets enables us to help co-create bespoke financing solutions and to connect our clients multi-laterally to investors, suppliers, buyers and sellers, enabling them to move capital, manage risk and invest to create wealth. Our clients represent a large and important part of the economies we serve. Corporate, Commercial & Institutional Banking is at the heart of the Group's shared purpose to drive commerce and prosperity through our unique diversity.

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 the environment and support sustainable economic growth.

Performance highlights

- Underlying operating profit before taxation of $2,289 million up 91 per cent, primarily driven by credit impairment releases partially offset by lower income and higher expenses
- Underlying operating income of $5,703 million was down 3 per cent primarily due to lower Macro Trading income on the back of reduced market volatility and tighter spreads as well as lower Cash management income impacted by a low interest rate environment. This was partially offset by strong performance in Credit Markets and Trade.
- Credit impairment is a net writeback, driven by ECL releases, due to improved macro conditions, lower Stage 3 impairments and loan recoveries
- Good balance sheet momentum with total assets up by 4 per cent. Total Liabilities down marginally

Consumer, Private & Business Banking

Profit before taxation

$502m
Underlying basis

$455m
Statutory basis

Segment overview

Consumer, Private and Business Banking serves individuals and small businesses, with a focus on affluent and emerging affluent in many of the world's fastest-growing cities. We provide digital banking services with a human touch to our clients, with services spanning across deposits, payments, financing products and Wealth Management. We also support our clients with their business banking needs. Private Banking offers a full range of investment, credit and wealth planning products to grow, and protect, the wealth of high net-worth individuals. We are closely integrated with the Group's other client segments; for example, we offer employee banking services to Corporate, Commercial & Institutional Banking clients, and Consumer, Private and Business Banking also provides a source of high-quality liquidity 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 uplift client experience, improving productivity by driving digitisation and cost efficiencies, and simplifying processes.

Performance highlights

- Underlying profit before taxation of $502 million up $399m driven by higher income and lower credit impairments.
- Expenses were up 1 per cent year-on-year but were down excluding our investment in our digital Ventures business
- Underlying operating income of $2,679 million was up 2 per cent, primarily on account strong performance in Wealth Management and Mortgages, partly offset by margin compression in Retail deposits due to lower interest rates
- Credit impairment dropped 68% due to lower expected credit loss provisions, reflecting improvement in macroeconomic conditions
- Total assets and liabilities grew 11 per cent and 6 per cent respectively

Regional reviews

Asia
Profit before taxation

$1,527m Underlying basis

$1,443m Statutory basis

Region overview

The Asia region has a long-standing and deep franchise across the markets and some of the world's fastest-growing economies. The region generated 48 per cent of the Group's income benefitting from our extensive network of markets. Of these, the two markets in the region contributing the highest income are Singapore and India, 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. 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 improving digital connectivity.

Performance highlights

- Underlying operating profit before tax of $1,527 million was up 100 per cent mainly due to lower credit impairment.
- Underlying operating income of $4,274 million down 1 per cent, due to margin compression in cash management and retail deposits and lower treasury product income, partially offset by strong performance in Wealth Management.
- Credit impairment down 90 per cent, due to material specific provisions taken in previous year, and release of ECL provisions on the back of improved macroeconomic environment
- Strong balance sheet momentum with assets up 5 per cent and liabilities up 9 per cent

Africa & Middle East
Profit before taxation

$858m Underlying basis

$832m Statutory basis

Region overview

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

A rich history, deep client relationships and a unique footprint in the region, as well as across centres in Asia, Europe and the Americas enable us to seamlessly support our clients. Africa & Middle East is an important element of global trade and investment corridors, including those on China's Belt and Road initiative and we are well placed to facilitate these flows. We have strengthened our footprint with a branch set-up in Saudi Arabia in 2021. Positive macro-tends (oil, commodity and UAE property prices) & market opportunities, but challenges and uncertainties remain. We're confident that the opportunities in the region will support long-term sustainable growth for the Group. We continue to invest selectively and drive efficiencies.

Performance highlights

- Underlying operating profit before tax of $858million was the highest since 2015, driven by reduced credit impairments, higher income and lower expenses
- Significant turnaround in UAE with a return to profitability in 2021
- Underlying operating income of $2,435 million was up 3 per cent mainly due to growth in Financial Markets and Wealth Management income.
- Total assets were down 1 per cent and total liabilities were up 3 per cent

Europe & Americas

Profit before taxation

$715m
Underlying basis

$626m
Statutory basis

Region overview

The Group supports clients in Europe & Americas through hubs in London, Frankfurt and New York as well as a presence in several other markets in Europe and Latin America. Our expertise in Asia, Africa and the Middle East allows us to offer our clients in the region unique network and product capabilities.

The region generates significant income for the Group's Corporate, Commercial & Institutional Banking business. In addition to being a key origination centre for Corporate, Commercial & Institutional Banking, the region offers local, on-the-ground expertise and solutions to help internationally minded clients grow across Europe & Americas. The region is home to the Group's two biggest payment clearing centres and the largest trading floor. More than 80 per cent of the region's income derives from Financial Markets and Transaction Banking products.

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

Performance highlights

- Underlying operating profit before taxation of $715 million improved 16 per cent driven by lower impairments, partly offset by lower income and higher costs
- Underlying operating income of $2,006 million was down 3 per cent largely due to lower Financial Markets performance and lower realisation gains from Treasury, partly offset by higher Trade and Lending income
- Expenses increased 12 per cent due to normalisation of performance-related pay, and increased investment and technology expense
- Total assets and liabilities grew 9 per cent year-on-year

Financial review

Summary of financial performance

	2021 $million	2020 $million	Change %
Net Interest income	**4,056**	4,100	(1)
Other income	**4,858**	5,185	(6)
Underlying operating income	**8,914**	9,285	(4)
Other underlying expenses	**(6,104)**	(5,963)	(2)
UK bank levy	**(100)**	(331)	70
Underlying operating expenses	**(6,204)**	(6,294)	1
Underlying operating profit before impairment and taxation	**2,710**	2,991	(9)
Credit impairment release/(charge)	**28**	(1,948)	101
Other impairment release	**9**	147	(94)
Profit from associates and joint ventures	**1**	1	–
Underlying profit before taxation	**2,748**	1,191	131
Restructuring	**(325)**	(272)	(19)
Goodwill impairment	**–**	(403)	nm[1]
Other items	**(42)**	20	nm[1]
Statutory profit before taxation	**2,381**	536	344
Taxation	**(743)**	(514)	(45)
Profit after tax	**1,638**	22	nm[1]
Underlying return on tangible equity (%)	**6.9**	0.4	
Common Equity Tier 1 (%)	**12.3**	12.7	

1 Not meaningful

Operating income declined 4 per cent primarily with both net interest income and other income down year-on-year.

Net interest income decreased 1 per cent with increased volumes more than offset by a 7 per cent or 9 basis point reduction in net interest margin. Net interest income included a positive $163million IFRS9 interest income catch-up adjustment in respect of interest earned on historically impaired assets, increasing the net interest margin by 5 basis points.

Other income reduced 6 per cent, due to lower Financial Markets and lower realisation gains in Treasury

Operating expenses excluding the UK bank levy are up 2 per cent primarily reflecting the Group's continued investment in transformational digital capabilities and the normalisation of an increase in performance related pay. The cost-to-income ratio (excluding the UK bank levy) increased 4 percentage points to 68 per cent. The UK bank levy decreased by $231 million to $100 million reflecting a change in basis of calculation as it is now chargeable only on the Group's UK balance sheet.

Credit impairment is a net credit of $28m and declined by $1,976 million from prior year. This is driven primarily by lower stage 3 impairment, loan recoveries and release of expected credit loss provisions, reflecting an improvement in macroeconomic conditions.

Other impairment down 94 per cent due to non-recurrence of benefit arising from reversal of previously impaired assets in previous year.

Charges relating to restructuring and other items increased by $53 million and $62 million respectively and was more than offset by a non-repeat of $403million goodwill impairment primarily relating to India and UAE booked in 2020.

Taxation of $743 million for the year represents an effective tax rate of 31 per cent and is lower than FY2020's effective tax rate of 96 per cent.

Return on tangible equity increased by 645 basis points to 6.9 per cent driven by higher profits.

Statutory financial performance summary

	2021 $million	2020 $million	Change %
Net Interest income	4,052	4,100	(1)
Other income	4,808	5,136	(6)
Statutory operating income	**8,860**	9,236	(4)
Statutory operating expenses	(6,480)	(6,463)	–
Statutory operating profit before impairment and taxation	**2,380**	2,773	(14)
Credit impairment release/(charge)	30	(1,976)	102
Goodwill & Other impairment	(30)	(262)	89
Profit from associates and joint ventures	1	1	–
Statutory profit before taxation	**2,381**	536	344
Taxation	(743)	(514)	(45)
Profit after tax	**1,638**	22	nm[1]
Statutory return on tangible equity (%)	5.5	(2.0)	

1 Not meaningful

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

	2021 $million	2020 (Restated)[1] $million	Change %
Corporate, Commercial & Institutional Banking[1]	2,289	1,196	91
Consumer, Private & Business Banking[1]	502	103	387
Central & other items (client)	(43)	(108)	60
Underlying profit before taxation	**2,748**	1,191	131
Asia	1,527	762	100
Africa & Middle East	858	16	nm
Europe & Americas	715	616	16
Central & other items (geographic)	(352)	(203)	(73)
Underlying profit before taxation	**2,748**	1,191	131

1 Following an organisational restructure that came into effect on 1 January 2021, the new structure results in the creation of two new client segments: Corporate, Commercial & Institutional Banking, serving larger companies and institutions, and Consumer, Private & Business Banking, serving Individual and business clients

Net Interest Margin

	2021 $million	2020 $million	Change[1] $million
Adjusted net interest income[2]	4,052	4,100	(1)
Average interest-earning assets	323,145	311,146	4
Average interest-bearing liabilities	258,360	254,620	1
Gross yield (%) [3]	1.91	2.51	(59)
Rate paid (%) [3]	0.83	1.49	(66)
Net interest margin (%)[4]	1.26	1.35	(9)

1 Variance is better/(worse) other than assets and liabilities which is increase/(decrease)

2 Adjusted net interest income is statutory net interest income less funding costs for the trading book and financial guarantee fees on interest earning assets

3 Change in the basis points (bps) difference between two periods rather than the percentage change

4 Adjusted net interest income divided by average interest-earning assets, annualised

Adjusted net interest income was down 1 per cent driven by a 7 per cent decline in net interest margin which fell 9 basis point year-on-year, reflecting the continued low interest rate environment following the cut in policy rates which occurred in early 2020. Excluding the $163 million benefit from IFRS9 income adjustments booked during the year, the net interest margin in 2021 would have averaged 121 basis points.

Average interest-earning assets increased 4 per cent driven by higher investment securities balances. Gross yields declined 59 basis points compared to the average in 2020 predominantly reflecting the impact of continued compression of key interest rates.

Average interest-bearing liabilities increased 1 per cent driven by growth in customer accounts. The rate paid on liabilities decreased by 66 basis points year-on-year reflecting interest rates movements.

Credit quality

The solid risk management foundations that the Group has built over time has allowed the Group to focus on emerging strongly from the COVID-19 pandemic, despite the uneven recovery across markets and industries. In spite of the challenging conditions that remain, the Group has seen improvement in number of credit metrics with the stock of high-risk assets reducing over 6 consecutive quarters and a $1.9 billion reduction in credit impairment year-on-year. The Group is well positioned to support our clients as economies recover but continues to remain vigilant to the continued impact of COVID-19.

	2021 $million	2020 $million
Gross loans and advances to customers[1]	**149,672**	146,778
Of which stage 1	**129,990**	122,883
Of which stage 2	**12,741**	15,606
Of which stage 3	**6,941**	8,289
Expected credit loss provisions	**(4,873)**	(5,917)
Of which stage 1	**(266)**	(331)
Of which stage 2	**(381)**	(619)
Of which stage 3	**(4,226)**	(4,967)
Net loans and advances to customers	**144,799**	140,861
Of which stage 1	**129,724**	122,552
Of which stage 2	**12,360**	14,987
Of which stage 3	**2,715**	3,322
Cover ratio of stage 3 before/after collateral (%)	**61 / 78**	60 / 77
Credit grade 12 accounts ($million)	**1,639**	2,039
Early alerts ($million)	**4,285**	8,526
Investment grade corporate exposures (%)	**71**	63

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $3,764 million at 31 December 2021 (2020: $2,919 million)

Restructuring and other items

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

Restructuring charges of $325 million for 2021 reflect the impact of actions to transform the organisation to improve productivity, primarily redundancy related charges. Other items include a $62 million regulatory financial penalty and a $20million fair value gain relating to a SC Ventures investment.

	2021 $million			2020 $million		
	Restructuring	**Goodwill**	**Other items**	Restructuring	Goodwill	Other items
Operating income	**(74)**	**–**	**20**	(55)	–	6
Operating expenses	**(214)**	**–**	**(62)**	(183)	–	14
Credit impairment	**2**	**–**	**–**	(28)	–	–
Other impairment	**(39)**	**–**	**–**	(6)	(403)	–
(Loss)/profit before taxation	**(325)**	**–**	**(42)**	(272)	(403)	20

Balance sheet and liquidity

	2021 $million	2020 (Restated)[1] $million
Assets		
Loans and advances to banks	**29,999**	27,666
Loans and advances to customers	**144,799**	140,861
Other assets	**369,993**	345,066
Total assets	**544,791**	513,593
Liabilities		
Deposits by banks	**25,205**	23,761
Customer accounts	**242,331**	216,719
Other liabilities	**241,818**	239,884[1]
Total liabilities	**509,354**	480,364
Equity	**35,437**	33,229
Total equity and liabilities	**544,791**	513,593
Advances-to-deposits ratio (%)[1,2]	**52%**	57%

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

1 Includes correction of $81 million fair value hedge accounting adjustment

2 In calculating the advances-to-deposits ratio, the Group now excludes $15,168 million held with central banks (2020: $14,296 million) that have been confirmed as repayable at the point of stress

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

Loans and advances to customers increased 6 per cent since December 2020 to $145 billion driven mainly by growth in Financial Markets.

Customer accounts of $242 billion increased 12 per cent since December 2020 driven largely by an increase in operating account balances within Cash Management

Other assets increased 7 percent since December 2020 while other liabilities were 1 percent higher. The growth in other assets was driven by increased revenue purchase agreement volumes and an increase in investment securities held within Treasury Markets. The growth in other liabilities reflects increased repurchase agreements and issued debt securities offset by reduced derivative balances

The advances-to-deposits ratio reduced from 57 per cent to 52 per cent year on year as the Group continued to focus on improving the quality and mix of its liabilities

Capital base and ratios

	2021 $million	2020[1] $million
CET1 capital	**23,884**	23,898
Additional Tier 1 capital (AT1)	**5,872**	4,551
Tier 1 capital	**29,756**	28,449
Tier 2 capital	**12,075**	12,263
Total capital	**41,831**	40,712
CET1 capital ratio (%)	**12.3%**	12.7%
Total capital ratio (%)	**21.6%**	21.7%
Leverage ratio (%)	**4.5%**	4.7%

1 Restatement of 2020 includes correction of fair value hedge accounting adjustment of $81 million.

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 successfully completed the formation of an ASEAN hub during 2021 in which the Group's existing businesses in Malaysia, Thailand and Vietnam were moved under the Group's existing Singapore subsidiary entity, which itself remains under Standard Chartered Bank. Standard Chartered Bank continues to operate through its branches and a number of subsidiaries, all of which remain well capitalised in line with their applicable Court-approved Risk Appetites which takes into account local regulations, Pillar 1 and 2 requirements and regulatory and management buffers as applicable.

The Group's CET1 capital ratio remained strong at 12.3 per cent at FY2021 with leverage at 4.5 per cent. The Group maintains high levels of loss absorbing capacity. Compared to 31 December 2020, the Group's CET1 capital ratio decreased 41 basis points mainly due to RWA increasing by $6.1 billion to $194.0 billion.

Underlying versus statutory results reconciliations

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

Operating income by client segment

	2021			
	Corporate, Commercial & Institutional Banking $million	**Consumer, Private & Business Banking $million**	**Central & other items $million**	**Total $million**
Underlying operating income	**5,703**	**2,679**	**532**	**8,914**
Restructuring	**(33)**	**–**	**(41)**	**(74)**
Other items	**–**	**–**	**20**	**20**
Statutory operating income	**5,670**	**2,679**	**511**	**8,860**

	2020 (Restated)[1]			
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Central & other items $million	Total $million
Underlying operating income	5,858	2,619	808	9,285
Restructuring	(41)	–	(14)	(55)
Other items	–	–	6	6
Statutory operating income	5,817	2,619	800	9,236

1 Following an organisational restructure that came into effect on 1 January 2021, the new structure results in the creation of two new client segments: Corporate, Commercial & Institutional Banking, serving larger companies and institutions, and Consumer, Private & Business Banking, serving Individual and business clients.

Operating income by region

	2021				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Underlying operating income	4,274	2,435	2,006	199	8,914
Restructuring	(11)	3	(31)	(35)	(74)
Other items	–	–	–	20	20
Statutory operating income	**4,263**	**2,438**	**1,975**	**184**	**8,860**

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

1 Following the Group's change in organisational structure, there has been an integration of Greater China & North Asia and ASEAN & South Asia to Asia. Prior year has been restated.

Profit before taxation (PBT)

	2021					
	Underlying $million	Regulatory Fine $million	Restructuring $million	Net gain on businesses disposed/held for sale $million	Goodwill impairment $million	Statutory $million
Operating income	8,914	–	(74)	20	–	8,860
Operating expenses	(6,204)	(62)	(214)	–	–	(6,480)
Operating profit/(loss) before impairment losses and taxation	2,710	(62)	(288)	20	–	2,380
Credit impairment release	28	–	2	–	–	30
Other impairment release/(charge)	9	–	(39)	–	–	(30)
Profit from associates and joint ventures	1	–	–	–	–	1
Profit/(loss) before taxation	2,748	(62)	(325)	20	–	2,381

	2020					
	Underlying $million	Regulatory fine $million	Restructuring $million	Net gain on businesses disposed/held for sale $million	Goodwill impairment $million	Statutory $million
Operating income	9,285	–	(55)	6	–	9,236
Operating expenses	(6,294)	14	(183)	–	–	(6,463)
Operating profit/(loss) before impairment losses and taxation	2,991	14	(238)	6	–	2,773
Credit impairment	(1,948)	–	(28)	–	–	(1,976)
Other impairment release/(charge)	147	–	(6)	–	(403)	(262)
Profit from associates and joint ventures	1	–	–	–	–	1
Profit/(loss) before taxation	1,191	14	(272)	6	(403)	536

Profit before taxation (PBT) by client segment

	2021			
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Central & other items $million	Total $million
Operating income	5,703	2,679	532	8,914
External	5,560	2,322	1,032	8,914
Inter-segment	143	357	(500)	–
Operating expenses	(3,591)	(2,008)	(605)	(6,204)
Operating profit/(loss) before impairment losses and taxation	2,112	671	(73)	2,710
Credit impairment release/(charge)	216	(169)	(19)	28
Other impairment (charge)/release	(39)	–	48	9
Profit from associates and joint ventures	–	–	1	1
Underlying profit/(loss) before taxation	2,289	502	(43)	2,748
Restructuring	(108)	(47)	(170)	(325)
Goodwill impairment & other items	–	–	(42)	(42)
Statutory profit/(loss) before taxation	2,181	455	(255)	2,381

	2020 (Restated)[1]			
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Central & other items $million	Total $million
Operating income	5,858	2,619	808	9,285
External	6,046	2,119	1,120	9,285
Inter-segment	(188)	500	(312)	–
Operating expenses	(3,538)	(1,983)	(773)	(6,294)
Operating profit before impairment losses and taxation	2,320	636	35	2,991
Credit impairment	(1,402)	(523)	(23)	(1,948)
Other impairment release/(charge)	278	(10)	(121)	147
Profit from associates and joint ventures	–	–	1	1
Underlying profit/(loss) before taxation	1,196	103	(108)	1,191
Restructuring	(142)	(49)	(81)	(272)
Goodwill impairment & other items	–	–	(383)	(383)
Statutory profit/(loss) before taxation	1,054	54	(572)	536

1 Following an organisational restructure that came into effect on 1 January 2021, the new structure results in the creation of two new client segments: Corporate, Commercial & Institutional Banking, serving larger companies and institutions, and Consumer, Private & Business Banking, serving Individual and business clients.

Profit before taxation (PBT) by region

	2021				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	4,274	2,435	2,006	199	8,914
Operating expenses	(2,635)	(1,610)	(1,444)	(515)	(6,204)
Operating profit/(loss) before impairment losses and taxation	1,639	825	562	(316)	2,710
Credit impairment (charge)/release	(112)	34	120	(14)	28
Other impairment (charge)/release	–	(1)	33	(23)	9
Profit from associates and joint ventures	–	–	–	1	1
Underlying profit/(loss) before taxation	1,527	858	715	(352)	2,748
Restructuring	(84)	(26)	(89)	(126)	(325)
Goodwill impairment & other items	–	–	–	(42)	(42)
Statutory profit/(loss) before taxation	1,443	832	626	(520)	2,381

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

1 Following the Group's change in organisational structure, there has been an integration of Greater China & North Asia and ASEAN & South Asia to Asia. Prior period has been restated.

Return on tangible equity (RoTE)

	2021 $million	2020 $million
Average parent company Shareholders' Equity	**29,204**	28,790
Less Preference share premium	**(1,500)**	(1,500)
Less Average intangible assets	**(3,618)**	(3,406)
Average Ordinary Shareholders' Tangible Equity	**24,086**	23,884
Profit for the year attributable to equity holders	**1,638**	22
Non-controlling interests	**(29)**	(47)
Dividend payable on preference shares and AT1 classified as equity	**(292)**	(458)
Profit/(loss) for the year attributable to ordinary shareholders	**1,317**	(483)
Items normalised:		
Regulatory fine	**62**	(14)
Restructuring	**325**	272
Goodwill Impairment	**–**	403
Net gains on sale of Businesses	**(20)**	(6)
Tax on normalised items	**(27)**	(71)
Underlying profit for the year attributable to ordinary shareholders	**1,657**	101
Underlying Return on Tangible Equity	**6.9%**	0.4%
Statutory Return on Tangible Equity	**5.5%**	(2.0)%

	2021 %	2020 %
Underlying RoTE	**6.9**	0.4
Regulatory fine	**(0.3)**	0.1
Restructuring		
Of which: Income	**(0.3)**	(0.2)
Of which: Expenses	**(0.9)**	(0.8)
Of which: Credit impairment	**–**	(0.1)
Of which: Other impairment	**(0.1)**	–
Net gains on disposal of available for sale instruments	**0.1**	–
Goodwill impairment	**–**	(1.7)
Tax on normalised items	**0.1**	0.3
Statutory RoTE	**5.5**	(2.0)

Alternative performance measures

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

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

Risk review

"Staying vigilant in the face of an uneven global economic recovery"

2021 was a challenging year on the macroeconomic front, driven by the ongoing pandemic. The COVID-19 recovery has continued to be uneven, with unbalanced vaccine roll-outs between developed markets and emerging markets and easing of restrictions in some markets even as other locations and sectors continued to lag. The potential impact from new variants has also contributed to further uncertainty. Multiple sectors of the global economy have been impacted by the pandemic, and liquidity pressures in the commercial real estate sector in China have arisen during the year, although the long-term impact remains to be seen. A rapid recovery in demand following the easing of restrictions, and existing supply chain disruptions has in turn contributed to elevated inflation levels, with many markets seeing a significant rise in prices. The accumulation of worldwide debt could also pose further risks to the economic environment.

The Group has built a strong foundation with solid risk fundamentals, and we are focussed on emerging strongly from the pandemic. We continue to scan the horizon for emerging risks and collaborate with internal and external partners to proactively mitigate risks as they are identified.

Asset quality has improved, as evidenced by the increase in percentage of investment grade corporate exposure (2021: 71 per cent, 2020: 63 per cent), among others, though we remain watchful in the face of ongoing uncertainty. We continue to demonstrate resilience as evidenced by strong capital and liquidity metrics. As a result of the changes in internal and external operating environment due to the pandemic, non-financial risk areas such as Fraud, Information and Cyber Security, Privacy and Conduct remain heightened. We continue to enhance our operational resilience and defences against these risks, especially as we adapt to more agile ways of working. The PLC Group is also working to ensure a successful transition from the Interbank Offered Rate (IBOR) to alternative risk-free rates.

Digitalisation and technological development remain key items on the Group's agenda. We continue to ensure that our control frameworks and Risk Appetite evolve accordingly to keep pace with new business developments and asset classes.

Earlier in the year, we defined three Stands to use our unique ability to work across boundaries and connect capital, people, ideas and best practices to help address some key socio-economic challenges of our time. Accelerating Zero is one of the Stands, and our aim is to reduce the emissions associated with our financing activities to net zero by 2050, which includes interim 2030 targets for the most carbon-intensive sectors. We are supporting our clients in the transition to a low-carbon economy by developing transition frameworks and sustainable financing solutions. We have integrated ESG Risk management into our Reputational Risk Type Framework. Sustainability is a core part of our strategy and our ambition to become the world's most sustainable and responsible bank.

Further details on our overall approach to net zero can be found at **sc.com/netzero**.

To support Lifting Participation, we are helping our clients by building partnerships to expand their access to financial services. For these new business initiatives, we have developed new risk management and risk assessment approaches across our Principal Risk Types to address these unique risks. We further support our clients by promoting financial wellbeing through financial education and personalised services including digitalised solutions for lending and wealth management. We are also focused on driving customer awareness of environmental sustainability concerns through green products. As part of our aim to Reset Globalisation, we welcome digital-asset-related opportunities. The PLC Group has enhanced its Digital Asset Risk management approach and policy to ensure that digital asset activities across PLC Group are appropriately managed, and within overall PLC Group Risk Appetite.

An update on our key risk priorities

2021 presented a challenging risk landscape, however, we faced this from an intrinsically strong position. Our risk management approach is at the heart of our business and is core to us achieving sustainable growth and performance. We have made progress on the key priorities set out at half year, as follows.

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

We strive to uphold the highest standards of conduct through delivery of conduct outcomes, acknowledging that while incidents cannot be entirely avoided, the Group has no appetite for wilful or negligent misconduct. More broadly, we are continuing to focus on strengthening first-line Conduct Risk ownership, including helping to draw enhanced Conduct Risk insights through the development of better conduct analytics as part of the new Conduct Risk management approach.

As part of the PLC Group's Future of Work Now initiative, moving to large-scale working from home arrangements has been formalised and rolled out to the majority of the PLC Group's markets. Risks arising from the new working model have been assessed, with controls strengthened where appropriate. We remain vigilant to the need to increase staff awareness of fraud and cyber security risks, alongside other targeted mitigating actions to improve oversight and internal controls.

Enhancing information and cyber security (ICS) capabilities: The Group remains focused on pursuing a culture of cyber resilience as we progress with more agile ways of working. We are focused on maintaining client services and protecting our most critical assets, remaining vigilant to evolving cyber threats. Our cyber security framework has been further enhanced to underpin our management and mitigation of ICS Risk and support of our businesses and functions in their adoption of key controls. We plan to further enhance our key ICS Risk metrics to support strategic oversight and decision-making. Strengthening our oversight of third-party ICS Risk also remains an area of focus, considering external threats and the continued prevalence of third-party ICS incidents. We are ensuring we develop our internal talent pool and recruit external talent where required to support these critical capabilities.

Embedding Climate Risk management: The PLC Group has continued to embed Climate Risk management, starting with, among others, understanding the impact of physical and transition risks on our credit portfolio and climate-related reputational risks for clients in high transition sectors. In 2022, PLC Group will extend this to cover other relevant Principal Risk Types. Climate scenario analysis across our markets, including the Bank of England's 2021 Biennial Exploratory Scenario, have helped improve our understanding in identifying key portfolios vulnerable to Climate Risk. At the PLC Group level, we reached out to around 2,000 of our clients globally, to understand their transition and physical risk profiles, adaptation plans, mitigation measures and approach to disclosure, enhancing the granularity of data available for risk identification and deepening client engagement. Climate Risk assessments are now considered as part of Reputational and Sustainability transaction reviews for impacted clients in high-carbon sectors, and a first phase of integration into credit decisioning for the transaction review process is under way for our Corporate, Commercial and Institutional Banking business. As our experience of quantifying Climate Risk grows, we are moving from measurement to management, while working closely with external partners, industry and academia to move forward on Climate Risk together. As part of the ongoing partnership with Imperial College London, the PLC Group supported new climate research on the potential for nature-based solutions (actions to protect, restore and enhance ecosystems) to tackle the interlinkages between agriculture, land-use and climate change. The 2021 Task Force on Climate-related Financial Disclosures (TCFD) Report released provides further details on the PLC Group's progress in managing climate risks and opportunities, including the PLC Group's net zero target by 2050.

++More details on the Group's approach to Climate Risk can be found at **sc.com/tcfd**

Managing our ESG risk: The Group remains committed to being the world's most sustainable and responsible bank. At the start of the year the PLC Group expanded the Reputational Principal Risk Type by adding Sustainability and proposed new Risk Appetite metrics covering environmental and social (E&S) risks as well as ensuring no Modern Slavery risks in our supply chain.

We continue to invest in infrastructure and technology to keep pace with the emerging ESG regulatory obligations across our markets. The PLC Group has developed an internal Environmental and Social Risk Catalogue that will be piloted to ensure that risk identification, assessment and enhanced due diligence, are underpinned by a standard classification system. Using the Catalogue, an initial heatmap of E&S risks has been developed for our clients and suppliers on an industry-portfolio level through a top-down risk assessment approach. The assessment is used to identify key areas of priority for E&S risks where safeguards could be further strengthened. From 2022 onwards, we plan to incorporate the findings of this risk assessment in our regular review of our PLC Group position statements and supply chain onboarding to ensure that our businesses and supply chains continue to support our sustainability ambition.

Managing Financial Crime Risks: External developments continue to create new risks and control challenges, particularly with respect to rapidly changing geopolitical events. There is a heightened level of Fraud Risk in the environment due to new methods, schemes and technology, and we continue to increase our investment in fraud prevention and detection capabilities to protect the Group and our clients. Our Financial Crime Compliance team continues to identify and prevent fraud and money laundering using next-generation surveillance and financial crime monitoring infrastructure and machine learning. We are focused on strengthening our three lines of defence by transitioning certain responsibilities for financial crime surveillance from the second line to the first line while reinforcing the oversight and monitoring role of the second line.

The Group continues to partner to lead the fight against financial crime through information sharing about threats to protect clients and the wider financial system. We continue an active industry engagement to address new regulatory and statutory initiatives, focusing on enhancing the effectiveness of financial crime compliance and contributing useful information to law enforcement. We have made continued progress in resolving long-standing enforcement actions and related remediation, and continue to work to strengthen compliance and improve customer experience in areas of greater implementation challenge such as records management and transaction monitoring.

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

Innovation – Risk and CFCC infrastructure: We continue to focus on simplifying our approach to enable more effective first-line risk management, supported with SmartBot-enabled self-service platforms. Flexible strategic risk reporting with centralised data and advanced analytical capabilities enabled a timely and an agile response to the challenges of COVID-19. Continued integration of our risk aggregation platform with front office data provides near real-time bespoke exposure analysis for financial risks, decisioning and reporting, and our stress testing scenarios have been expanded to include the impact of the pandemic and Climate Risks. We are implementing an Enterprise GRC (Governance, Risk and Compliance) platform to integrate data and processes across Operational Risk, policies and standards, compliance and assurance activities, and have made significant progress in the year. We have clear priorities to build a more digital and data-driven control function with scalable self-service solutions and partnerships with our internal innovation centre, SC Ventures. Hubs continue to be utilised for centralised specialist knowledge and delivery of data visualisation, reporting, change management, model development, validation and governance, with automation of supporting processes to reduce operational risks.

Embedding Model Risk management: Model Risk management has seen a notable step forward in 2021. The PLC Group enhanced its risk management framework earlier in the year to strengthen model issue management and the governance framework for artificial intelligence and machine learning. The Model Inventory across the PLC Group has undergone many enhancements through the year to be an industry-level model inventory tool, enabling increased coverage of information with a higher level of accuracy. Regulatory model delivery has been a key focus area related to new European Banking Authority standards and the cessation of IBOR. We have adopted the PLC Group's Model Risk Type Framework and implemented Group level Model Risk Appetite and this will continue to be an area of focus to ensure we effectively embed awareness of Model Risk management across the Group.

Our risk profile and performance in 2021

Despite the challenges of the ongoing pandemic, our solid foundation has helped us to deliver a good performance with a resilient risk profile and improved asset quality. 2021 demonstrates our commitment to strong and sustainable growth, with continued improvements across several metrics reflecting our robust risk management during the pandemic. We remain vigilant to the continued impact of COVID-19 and an uneven recovery across markets and industries.

In 2021, we have seen a 50 per cent decrease in early alerts exposure (2021: $4.3 billion, 2020: $8.5 billion), mainly due to reductions in counterparty exposure and clients being removed from early alert. While early alerts have decreased compared with December 2020, the Group remains vigilant in view of persistent challenging conditions in some markets and sectors. Credit Grade 12 balances reduced to $1.6 billion due to repayments and outflows to non-performing loans, that were partially offset by sovereign rating downgrades.

The percentage of investment grade corporate exposure has also increased to 71 per cent compared with 63 per cent a year ago, reflecting an increase in repurchase agreement balances and high-quality originations.

The total credit impairment charge is a release of $28 million compared to a charge of $1.9 billion last year. Stage 3 impairment decreased by $1.3 billion, of which majority is from releases in Corporate, Commercial and Institutional Banking. Stage 1 and 2 impairment decreased by $762 million, due to reduction in exposures from lower levels of early alert portfolio, new guarantees and improvement in probability of default, with the remainder due to improving macroeconomic forecasts and reduction in COVID-19 management overlays.

Overall stage 3 loans and advances to customers decreased from $8.3 billion to $6.9 billion, while stage 3 provisions were lower by $0.7 billion at $4.2 billion. The stage 3 cover ratio (excluding collateral) in the total customer loan book increased to 61 per cent (2020: 60 per cent).

Average Group Value at Risk (VaR) in 2021 was 38.5 per cent lower at $41.1 million (2020: $66.9 million), driven by the extreme market movements from 2020 dropping out of the one-year VaR time horizon. However, volatility started to increase in the second half of 2021 driven by the impact of new COVID variants.

> Further details of the risk performance for 2021 are set out in the Risk profile section.

An update on our risk management approach

Our RMF outlines how we manage risk across the Group, consistent with the PLC Group's risk management and governance approach. It gives us the structure to manage existing risks effectively in line with our Risk Appetite, as well as allowing for holistic risk identification. As part of the annual review of the RMF, we have repositioned our Cross-Cutting Risks to Integrated Risk Types (IRT), which are defined as "risks that are significant in nature and materialise primarily through the relevant Principal Risk Types (PRT)". The RMF sets out the roles and responsibilities and minimum governance requirements for the management of IRTs. Additionally, the Capital and Liquidity Principal Risk Type has been renamed to Treasury Risk and the scope of the risk type has been expanded to cover Interest Rate Risk in the Banking Book (IRRBB).

Given their integrated nature, Digital Asset and Third-Party Risks, have been newly identified as IRTs in the RMF, in addition to Climate Risk. As outlined in the Group RMF, we manage and control our PRTs as well as IRTs in line with the PLC Group's Risk Type Frameworks, which are implemented at the Company level via an addendum.

Principal and Integrated Risk Types

Principal risks are risks inherent in our strategy and business model. These are formally defined in our RMF which provides a structure for monitoring and controlling these risks through the Court-approved Risk Appetite. We will not compromise adherence to our Risk Appetite in order to pursue revenue growth or higher returns. The table below provides an overview of the Group's principal and integrated risks and how these are managed. In addition to principal risks, the Group has defined a Risk Appetite Statement for Climate Risk and will give consideration to standalone Risk Appetite Statements for additional integrated risks in 2022.

Further details can be found on pages 129 to 143 of our 2021 Annual Report.

Principal Risk Types	How these are managed
Credit Risk	The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors
Traded Risk	The Group should control its trading portfolio and activities to ensure that Traded Risk losses (financial or reputational) do not cause material damage to the Group or PLC Group's franchise
Treasury Risk	Individual regulated entities within the Group should maintain a strong capital and liquidity position and meet their minimum capital and liquidity requirements
Operational and Technology Risk	The Group aims to control Operational and Technology 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 or PLC Group's franchise
Information and Cyber Security Risk	The Group seeks to minimise ICS Risk from threats to the Group's most critical information assets and systems, and has a low appetite for material incidents affecting these or the wider operations and reputation of the Group and PLC Group
Compliance Risk	The Group has no appetite for breaches in laws and regulations related to regulatory non-compliance; recognising that whilst incidents are unwanted, they cannot be entirely avoided
Financial Crime Risk	The Group has no appetite for breaches in laws and regulations related to Financial Crime, recognising that while incidents are unwanted, they cannot be entirely avoided
Model Risk	The Group has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models; whilst accepting model uncertainty
Reputational and Sustainability Risk	The Group aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight. This includes a potential failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm.

Integrated Risk Types	How these are managed
Climate Risk	The Group aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to our own activities and those related to the financing of clients, in alignment with the Paris Agreement
Digital Asset Risk	This IRT is currently supported by Risk Appetite metrics embedded within relevant Principal Risk Types
Third Party Risk	This IRT is currently supported by Risk Appetite metrics embedded within relevant Principal Risk Types

Emerging risks

Emerging risks refer to unpredictable and uncontrollable events with the potential to materially impact our business. As part of our continuous risk identification process, we have updated the Group's emerging risks from those disclosed in the 2020 Annual Report. A detailed explanation of the changes to our emerging risks compared with 2020 can be found on page 144.

The table below summarises our current list of emerging risks, outlining the risk trend changes since the end of 2020, the reasons for any changes and the mitigating actions we are taking based on our current knowledge and assumptions. This reflects the latest internal assessment as identified by senior management. The list is not exhaustive and there may be additional risks which could have an adverse effect on the Group. Our mitigation approach for these risks may not eliminate them but shows the Group's attempt to reduce or manage the risk. As certain risks develop and materialise over time, management will take appropriate steps to mitigate the risk based on its impact on the Group.

Emerging Risks	Risk trend since December 2020[1]	Key risk trend drivers	How these are mitigated
Expanding array of global tensions	↑	Relations between China and the West remain fragile and tensions are increasing regarding Russia's presence on the Ukrainian border. There has also been increasing friction between historic allies on issues such as the withdrawal from Afghanistan and AUKUS, as well as protectionist policies in the wake of COVID-19 Global supply chain disruption could tip the balance of power towards producers and potentially lead to an increased focus on local security over global collaboration	• Sharp slowdowns in the US, China, and more broadly, world trade and global growth are a feature of PLC Group, Solo[2] and country level stress scenarios. The Group relies on these stress tests to assess key Group level vulnerabilities and to be able to implement timely interventions • Detailed portfolio reviews are conducted at a PLC Group, country and business level on an ongoing basis, most recently regarding increasing tensions around Ukraine, and action is taken where necessary • We are closely monitoring the China-G7 relationship and assessing the impact on our business with dedicated teams in the first and second line of defence • We remain vigilant in monitoring geopolitical relationships. Increased scrutiny is applied when onboarding clients in sensitive industries and in ensuring compliance with sanctions requirements
Energy security	↑	Increased industrial demand and an accelerated transition to cleaner energy sources have put a strain on supply lines. This has increased tensions between nations as power shifts towards energy exporters, and energy security decreases across developed markets and emerging markets alike. A lack of investment by oil producers as we transition could also lead to an increase in oil prices in the short term	• The Group relies on stress tests conducted at a PLC Group, Solo and country level, where an oil shock scenario was developed • Sovereign ratings, outlooks and country risk limits are regularly monitored with periodic updates to senior stakeholders • The PLC Group is implementing a Climate Risk work plan and aims to embed Climate Risks across all relevant Principal Risks in 2022. This includes scenario analysis and stress-testing capability to understand financial risks and opportunities from climate change
Crystallisation of inflation fears	↑	Interest rates have already increased or are likely to rise in several countries as central banks respond to inflationary pressure Drivers of price increases include recent shortages of materials and labour, and long-term monetary stimulus and there is growing acceptance that the inflationary shock will last longer than initially expected Nevertheless, there is still a lack of firm consensus within the industry on some key inflation questions, as well as other potential scenarios such as slow economic growth and rising prices leading to stagflation	• The Group relies on stress tests conducted at a PLC Group, Solo and country level to assess the impact of a severe stress in the global economy associated with a sharp slow-down. • Both PLC Group-wide management and Traded Risk scenarios are being developed to examine the impact of a rapid build-up in inflationary pressures around the world • Sovereign ratings, outlooks and country risk limits are regularly monitored with periodic updates to senior stakeholder

1 The risk trend refers to the overall risk score trend, which is a combination of potential impact, likelihood and velocity of change

2 The solo regulatory group as defined in the Prudential Regulation Authority waiver letter dated 10 August 2020 differs from Standard Chartered Bank Company in that it includes the full consolidation of nine subsidiaries,namely Standard Chartered Holdings (International) B.V., Standard Chartered MB Holdings B.V., Standard Chartered UK Holdings Limited, Standard Chartered Grindlays PTY Limited, SCMB Overseas Limited, Standard Chartered Capital Management (Jersey) LLC, Cerulean Investments L.P., SC Ventures Innovation Investment L.P. and SC Ventures G.P. Limited.

Emerging Risks	Risk trend since December 2020[1]	Key risk trend drivers	How these are mitigated
Adapting to endemic COVID-19 and a K-shaped recovery[2]		Although countries with higher vaccination rates are moving towards accepting COVID-19 as endemic, the threat of new variants and increased restrictions remains Vast differences in the pace and scale of vaccine roll-outs and financial resources have widened the recovery gap and threaten a K-shaped global recovery, where countries or sectors recover at a different rate depending on their ability to adapt to a post-COVID world There are deeper structural impacts on traditional economic systems, including shifts in labour demographics	• A severe stress in the global economy associated with a sharp slow-down is a feature of the stress tests conducted at a PLC Group, Solo and country level • Sensitive sectors (e.g. aviation and hospitality) are regularly reviewed and exposures to these sectors are actively managed as part of Credit Risk reviews • Exposures that could result in material credit impairment charges and RWA inflation under stress tests are regularly reviewed and actively managed • The Group's priority remains the health and safety of our clients and employees and continuation of normal operations by leveraging our robust Business Continuity Plans which enable the majority of our colleagues to work remotely where possible
Supply chain dislocations		A combination of supply and demand factors, some transitory and some more structural, have led to global supply chain disruptions, especially as some markets have started to emerge from the pandemic There may also be a fundamental shift in supply chains of the future, with increased contingency costs and potential shifts to move production closer to consumers	• Exposures that may result in material credit impairment and increased RWA are closely monitored and actively managed • Sectors which exhibit high supply chain pressure and vulnerability are regularly reviewed and exposures to these sectors are actively managed as part of Credit Risk reviews • We actively utilise Credit Risk mitigation techniques including credit insurance and collateral
Emerging markets sovereign risk		COVID-19 has caused liquidity and potential solvency issues for some of the world's poorest countries, with several negative sovereign rating actions observed Tightening of financial conditions in developed markets may lead to local currency depreciations against the US dollar, pushing up debt reservicing costs	• Exposures that may result in material credit impairment and increased RWA are closely monitored and actively managed • We rely on stress tests and portfolio reviews conducted at a PLC Group, Solo, country, and business level to assess the impact of extreme but plausible events and manage the portfolio accordingly • We actively utilise Credit Risk mitigation techniques including credit insurance and collateral • We actively track the participation of our footprint countries in G20's Common Framework Agreement and Debt Service Suspension Initiative for Debt Treatments and the associated exposure

1 The risk trend refers to the overall risk score trend, which is a combination of potential impact, likelihood and velocity of change

2 A K-shaped global recovery occurs where countries or sectors recover at different rates following a recession

Emerging Risks	Risk trend since December 2020[1]	Key risk trend drivers	How these are mitigated
Expanding stakeholder expectations for environmental, social and corporate governance	↑	There are risks if the Group is unable to adapt to new regulation quickly, as well as meeting publicly stated sustainability goals and helping clients transition Environmental targets are being incorporated into many countries' domestic policies and corporations' business models with increased pressure to set ambitious sustainability goals. This includes an increase in disclosure requirements There is fragmentation in the pace and scale of adoption around the world, which adds complexity in managing a global business. There is a risk that focus on environmental goals over social and governance concerns, as well as fragmentation in ESG taxonomies, may lead to unintended consequences	• We remain committed to being a responsible bank, minimising our environmental impact and embedding our values through our strengthened Position Statements for sensitive sectors and a list of prohibited activities that the Group will not finance • The PLC Group is proactively participating in industry initiatives and framework development on both climate and biodiversity, to help inform our internal efforts and capabilities. Increased scrutiny is applied to environmental and social standards in providing services to clients • We rely on detailed portfolio reviews and stress tests conducted at a PLC Group, Solo and country level to test resilience to climate-related risks in line with local regulatory requirements and take action where necessary • The PLC Group has released net zero targets and specific emission reduction targets for carbon-sensitive sectors. The PLC Group's TCFD Report includes more details on climate risk and net zero • Our Green and Sustainable Product Framework, developed with the support of Sustainalytics, has been informed by industry and supervisory principles and standards such as the Green Bond Principles and EU Taxonomy for sustainable activities • We have defined three Stands to use our unique ability to work across boundaries and connect capital, people, ideas and best practices to help address some key socioeconomic challenges and enable a just transition • The PLC Group is developing an approach to further integrate ESG risk management across the ERMF
Social unrest	↓	COVID-19 has restricted the ability to demonstrate in some markets, although the prolonged nature of the pandemic and imposed vaccine and lockdown mandates have led to tensions in some countries Inequality has increased as a result of the pandemic, which may give rise to societal disturbances. Other causes such as climate and social justice also remain a focus	• The Group is committed to managing human rights impacts through our social safeguards in our Position Statements • The PLC Group's Human Rights Working Group has developed an approach to monitor, report and escalate human rights issues to our Management Team for consideration with PLC Group's strategy • We continue to support our operations and communities who are greatly impacted by COVID-19 through various aid programmes and financing • The Group relies on portfolio reviews at a PLC Group, country and business level to assess the impact of extreme but plausible geopolitical events
Data and digital	↑	Regulatory requirements and client expectations relating to data management, data protection, data sovereignty and privacy are increasing, including the ethical use of data and artificial intelligence. The Group, as well as the industry, continues to face challenges to keep pace with the volume of data-related regulatory change Rapid adoption and increased sophistication of new technologies may expose the Group to new technology-related risks, including heightened cyber security risks Data is becoming more concentrated in the hands of governments and big private companies. There are also relatively few providers of new technologies such as cloud computing services	• There is active monitoring, both in house and through external counsel, of regulatory developments in relation to data management, including records management, data protection and privacy, data sovereignty and artificial intelligence • The PLC Group has further embedded the existing risk control framework for data management risks, which has strengthened and streamlined risk oversight • Strict processes exist within the Group to ensure that only authorised individuals with sound justification are given access to Group client data. These processes are continuously refined to ensure efficacy and compliance with current legislation • The PLC Group has established a dedicated Data and Privacy Operations team and mobilised a Groupwide transformation programme to build data management capabilities and expertise across the Group to ensure compliance with data management regulations

1 The risk trend refers to the overall risk score trend, which is a combination of potential impact, likelihood and velocity of change

Emerging Risks	Risk trend since December 2020[1]	Key risk trend drivers	How these are mitigated
New business structures, channels and competition	↑	There are significant shifts in customer value propositions. Fintechs are delivering digital-only banking offerings with a growing usage of machine learning to provide highly personalised services In addition, digital assets are gaining adoption and linked business models are increasing in prominence. These present material opportunities as well as risks. Failure to adapt and harness new technologies and new business models would place banks at a competitive disadvantage. There is an increasing usage of partnerships and alliances by banks to respond to disruption and changes in the industry. However, this exposes banks to third-party risks	• We monitor emerging trends, opportunities and risk developments in technology that may have implications for the banking sector • We are enhancing capabilities to ensure our systems are resilient, we remain relevant and can capitalise quickly on technology trends • Enhanced digital capabilities have been rolled out in Consumer, Private and Business Banking, particularly around onboarding, sales and marketing • A risk management approach to address the specific risks arising from digital asset activities, as well as internal guidance on how to leverage existing risk management practices for new activities and nascent risks, is developed and implemented at the PLC Group • Strategic partnerships and alliances are being set up with fintechs to better compete in the markets in which we operate • Third-Party Risk management policies, procedures and governance are being reviewed to ensure adequate coverage across all PLC Group activities
Talent pools of the future	↑	COVID-19 accelerated the move towards remote working for employees. However, this has raised concerns around effective mitigation and management of Operational, ICS, Compliance, and Conduct Risks. The extended nature of the COVID-19 pandemic is continuing to restrict employees' ability to operate in their preferred hybrid working location format (between home and office), causing potential risks to wellbeing, ease of collaboration and learning from others A shortage of key skills is driving a war for talent which, combined with cross-border mobility restrictions and government protectionist policies, will especially intensify competition for local talent	• We assess and manage people-related risks, for example, organisation, capability, conduct and culture, as part of our Group risk management framework and our People Strategy • The PLC Group undertook a Future of Work change risk assessment which considered Operational, Compliance, Data Privacy and ICS Risks, in addition to wellbeing, culture and leadership • The Group has rolled out hybrid-working options in 25 markets and over 83 per cent of employees in these locations are now on flexi-working arrangements. Toolkits have been provided to managers and employees on managing 'macro' and 'micro' moments in a hybrid-working world • Wellbeing is one of the key pillars of the Group's diversity and inclusion strategy and we have embedded multiple tools and resources to support colleague wellbeing. These include toolkits for managers and employees, a confidential Employee Assistance Programme, an online programme to support physical wellbeing, increased training for Mental Health First Aiders, an on-the-go mobile app and proactive training in resilience • The PLC Group has embarked on a multi-year journey focused on upskilling and re-skilling our workforce by building a culture of continuous learning and leveraging technology to enable employees to build future-ready skills through content and cross-functional experiences

↑ Risk heightened in 2021 ↓ Risk reduced in 2021 <> Risk remained consistent with 2020 levels

Summary

We remain fully committed to robust risk management, embracing innovation while ensuring that we achieve the right risk outcomes when adopting new technologies and digital capabilities. The COVID-19 pandemic dominated the economic climate throughout 2021 and recovery remains uneven. Continued focus on enhancing risk management capabilities and leveraging technology will help the Group to emerge stronger from the pandemic, as a more sustainable, innovative, resilient and client-centred bank.

1 The risk trend refers to the overall risk score trend, which is a combination of potential impact, likelihood and velocity of change

Stakeholders and responsibilities

As an international bank working in 58 markets, stakeholder engagement is central in ensuring we understand local, regional and global perspectives and trends that inform our approach to doing business.

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

This section sets out how:

- we engage stakeholders to understand their interests
- we engage employees and respond to their interests
- we respond to stakeholder interests through sustainable and responsible business
- the Court considers stakeholders interests

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

Principal Court decision – net zero pathway

As part of the consideration process for approving the net zero pathway, the Court had to ensure it was comfortable with the methodology, the potential outcome of applying the methodology and the substance of the pathway, all set within the context of an agreed and robust risk management framework.

Stakeholder considerations were taken into account in the Court's discussion of the net zero pathway amongst many other factors. The Court, cognisant of the methodological approach and interest in the pathway by shareholders and other stakeholders, approved the recommended pathway and communications plan.

Engaging stakeholders

Listening and responding to stakeholder priorities and concerns is critical to achieving our purpose and delivering on our brand promise, Here for good. We strive to maintain open and constructive relationships with a wide range of stakeholders including regulators, lawmakers, clients, investors, civil society, and community groups.

In 2021, our engagement took many forms, including one-to-one sessions using online channels and calls, virtual roundtables, written responses, and targeted surveys. These conversations, and the issues that underpin them, help inform our business strategy and enable us to operate as a responsible and sustainable business.

Stakeholder feedback is communicated internally to senior management through the relevant forums and governing committees such as the Sustainability Forum, and to the PLC Board's Culture and Sustainability Committee (CSC) which oversees the PLC Group's approach to its main relationships with stakeholders.

We communicate progress regularly to external stakeholders through channels such as sc.com and this report. More detailed information on material sustainability topics can be found in the Sustainable and Responsible Business section.

Clients

How we create value

We want to deliver easy, everyday banking solutions to our clients in a simple and cost-effective way, and with a great customer experience. We enable individuals to grow and protect their wealth; we help businesses to trade, transact, invest and expand; and we also help a variety of financial institutions, including banks, public sector and development organisations with their banking needs.

How we serve and engage

Clients are at the heart of everything we do. In 2021, we used regular surveys, experience forums and digital channels to continue to strengthen our ability to understand and meet client needs as they emerge.

In Corporate, Commercial and Institutional Banking (CCIB) we strengthened our annual feedback process by capturing how clients feel about what we offer them (advice, service, digital channels, etc) and ensuring our relationship managers can then engage with their clients to address their feedback. We also launched a 'Voice of Client' e-learning module to train our colleagues to obtain and leverage client insights and respond with enhanced innovative propositions.

In Consumer, Private and Business Banking (CPBB) we take seriously our responsibility to support our more vulnerable clients. A global framework is in place to ensure the fair treatment of vulnerable customers in product development and throughout the whole customer journey. Training is provided to front-line staff across our branch, contact centre and digital channels to identify and appropriately handle vulnerable clients, and we have also implemented an educational training programme for those clients who require assistance in navigating online and mobile channels.

In order to act in the best interests of our clients, we use our client insights, alongside our robust policies, procedures and the Group risk appetite to design and offer products and services which meet client needs, regulatory requirements and Group performance targets whilst contributing to a sustainable and resilient environment.

For example, through understanding the challenges some of our clients face in balancing their financial management needs with their growing commitments to sustainability, in 2021 we launched a market-first sustainable trade finance proposition to support sustainable supply chains for our clients. We also launched our Sustainable Account in the UK and UAE, a new solution that enables corporate clients to contribute to sustainable development, while maintaining daily access to their cash.

All new products are subject to a comprehensive approvals process to test design effectiveness and robustness of the implementation process. For investment products sold to individuals, this includes risk scores which aid our assessment of client suitability.

For individual clients, we consider each client's financial needs and personal circumstances to assist us in offering suitable product recommendations.

We achieve this using a globally consistent methodology that takes into consideration local regulatory requirements to review product risks against the client's risk appetite, considering financial objectives, financial ability and knowledge. Clients are also provided with clear and simple documentation that outlines key product features and risks prior to executing a transaction.

Fees and charges are disclosed to clients in line with regulatory requirements and industry best practice, and where available, benchmarked against competitors. For Personal and Business Banking products, accurate interest rates charged, fees and other charges as billed to clients are monitored and assessed locally, with global oversight. Triggers for outlier prices are defined and subject to annual review. A process is in place to review complaints prior to amendments to annual interest, fees and charges. We also continuously assess our product portfolio for new risks to ensure they remain appropriate for client needs and aligned to emerging regulation. These quantitative and qualitative assessments enable a complete view of whether to continue, grow or retire products.

Throughout 2021 we also maintained our sharp focus on improving client experience across the Bank. In CCIB, we focused on delivering a consistent global experience for larger clients across our proprietary platforms. Deploying our agile working practices have enabled us to increase our speed of decision-making and change delivery to meet client needs faster.

Where concerns are found, we have processes and guidelines in place, specific to each of our client businesses, to understand and respond to client issues and promptly resolve complaints.

In 2022, we will continue to strengthen our digital transformation and innovation capabilities.

Their interests

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

Regulators and Governments

How we create value

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

How we serve and engage

We actively engage with governments, regulators and policymakers at global, regional and national levels to share insights and support the development of best practice and adoption of consistent approaches across our markets.

In 2021, we engaged with regulators, government officials and trade associations on a broad range of topics that included recovery from COVID-19, international trade, sustainable finance, data, cybersecurity, digital adoption, and innovation. We also engaged with officials on the financial services regulatory environment, in particular prudential, conduct, markets and financial crime policies.

In support of this, we have a unified Public and Regulatory Affairs team responsible for engagement as well as identifying and analysing relevant policies, legislation and regulation. This work is overseen by several governance forums within the Bank which comprise senior executives representing business and control functions to ensure alignment between advocacy and business strategies.

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

We comply with legislation, rules and other regulatory requirements applicable to our businesses and operations in the jurisdictions within which we operate. This ensures that the PLC Group meets its obligations and supports the resilience and effective functioning of the broader financial system and economy.

In 2022, we expect to engage on regulation and legislation associated with recovery from COVID-19, international trade, Sustainable Finance digital innovation, data, privacy, artificial intelligence and cybersecurity.

Their interests

- Strong capital base and liquidity position
- Robust standards for conduct and financial crime
- Healthy economies and competitive markets
- Positive sustainable development
- Digital innovation in financial services

Debt investors and credit rating agencies

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

How we serve and engage
Our Debt Investor Relations team has primary responsibility for managing the Group's relationships with debt investors and the three major rating agencies, with local market chief executives and chief financial officers leading on smaller subsidiary ratings.

In 2021, management met mostly virtually with debt investors across Europe, North America and Asia, and maintained a regular dialogue with rating agencies. It is important that the Group, as an issuer of senior debt, such as commercial paper and certificates of deposit, maintains regular contact with investors and other counterparts to support continued appetite for the Group's credit. The Group's credit ratings are a key part of the external perception of our financial strength and creditworthiness.

Their interests

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

Suppliers

How we create value
We engage diverse suppliers, both locally and globally, to provide efficient and sustainable goods and services for our business.

How we serve and engage
We follow a comprehensive and transparent vendor selection process, guided by the PLC Group's Supplier Charter, which sets out our expectations in relation to ethics, human rights, Diversity and Inclusion (D&I) and environmental performance. Our suppliers must recommit to the Charter annually, and performance monitoring is built into our contracts, procurement practices and standards.

In 2021 we made tangible progress against our supply chain sustainability agenda and began to integrate environmental and social risks into our third-party risk management framework.

In pursuit of the Group's ambition to be net zero in our operations by 2025, we offset emissions from our business flights, and in 2021 we developed a methodology to estimate our Scope 3 emissions from suppliers. Using this, we engaged our highest emitting vendors to agree a pathway for transparent supply chain emissions measurement. We also began to embed emissions-related clauses into relevant supplier contracts, such as printing services, to reduce our consumption and mitigate remainder emissions.

Our Stands have served to further embed our Supplier Diversity & Inclusion approach, and the majority of our markets now have supplier D&I objectives to take action, and accelerate progress and impact, and supplier diversity targets have been defined in key global procurement categories. In addition, we established partnerships with multiple local and global NGOs to identify and onboard more sustainable and diverse-owned vendors across all our markets. Our efforts were rewarded with internal and external recognition, including the Supplier Diversity Programme of the Year in the European Diversity Awards.

During 2021 we also partnered with several suppliers to provide additional benefits to our organisation and clients. For example, we partnered with Doconomy, an innovative fintech supplier, to introduce a digital app to help individual clients track, measure and manage their impact on both carbon emissions and freshwater consumption based on the goods and services they have purchased, as identified through their credit and debit card transactions. The app provides enriched customer data and automatically calculates the CO_2 footprint for every transaction, as well as providing the ability for clients to select and purchase offsetting options for each transaction all within the app. The technology is currently being piloted in Pakistan with further global release planned in 2022. The Standard Chartered - Doconomy collaboration has the potential to allow millions of consumers over time to learn how their consumption behaviours impact the climate.

In 2022, supply chain sustainability will continue to be a primary focus as we roll out initiatives to address and control social risk, and further reduce carbon emissions within our own operations and supply chain.

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

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

Their interests

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

Society

How we create value

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

How we serve and engage

We engage with a wide range of civil society and international and local non-governmental organisations (NGOs), from those focused on environmental and public policy issues to partners delivering our community programmes. To shape our strategy, we aim for constructive dialogue that helps ensure we understand alternative perspectives and that our approach to doing business is understood. This includes working with NGOs who approach us about a specific client transaction or policy.

In 2021, climate change, the Group's net zero roadmap, human rights, and biodiversity continued to underpin many of our conversations. We also ran a pilot survey on sustainability which targeted selected suppliers, think tanks and NGOs, and intend to conduct a broader survey during 2022.

In addition, we continued to engage NGOs, charities, and other organisations to promote youth economic inclusion through Futuremakers by Standard Chartered, the Group's global initiative to tackle inequality by promoting greater economic inclusion in our markets.

We hosted a second edition of the Futuremakers Forum, bringing Futuremakers participants together with business leaders, policy experts and clients to build partnerships and create economic opportunities focused on young people.

As the global pandemic escalated across our markets in 2021, we continued to deliver COVID-19 economic recovery projects to support young people.

Their interests

- Positive social and economic contribution
- COVID-19 longer-term economic recovery support
- Climate change and environmental issues

Employees

How we create value

We recognise that our workforce is a significant source of value that drives our performance and productivity and that the diversity of our people, cultures and networks sets us apart. To lead the way in addressing the evolving needs of our clients and the advances in technology, we are developing a workforce that is future-ready and are co-creating with our employees a culture that is inclusive, collaborative, and innovative.

How we serve and engage

By engaging employees and fostering a positive experience for them, we can better serve our clients and deliver on our purpose and Stands. An inclusive culture enables us to unlock innovation, make better decisions, deliver our business strategy, live our valued behaviours, and embody our brand promise Here for good. We proactively assess and manage people-related risks, for example, organisation, capability, and culture, as part of the PLC Group's risk management framework. Our People Strategy, as approved by the PLC Board in July 2019, continues to stay relevant and future-focused, with the ongoing pandemic having accelerated many of the future of work trends which informed our approach.

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

Listening to employees
Frequent feedback from employee surveys helps us identify and close gaps between colleagues' expectations and their experience. In addition to our annual survey, in 2021 we have started deploying continuous listening mechanisms that capture colleague sentiment more frequently such as a continuous listening culture survey and surveys at moments-that-matter, such as at onboarding and exit. This year our annual My Voice survey was conducted in June and July.

Our key measures of employee satisfaction indicate that we have continued to improve as a place to work over the duration of delivering on our People Strategy. Key measures of employee satisfaction fell in 2021, including the employee engagement index and the employee net promoter score (which measures how likely employees are to recommend working for us). Employee engagement had significantly improved in 2020 as people rallied to address the challenges created by the pandemic, but the prolonged nature of the crisis has seen many of these positive emotions being balanced out.

We remain encouraged that 96 per cent of employees feel committed to doing what is required to help the Bank succeed, 90 per cent feel proud about working for the Bank and 81 per cent say the Bank meets or exceeds their expectations.

Investments in people leader capability and the way in which our people leaders have responded to the pandemic has also translated into a three point increase in our manager net promoter score in the 2021 My Voice survey – building leadership capability continues to be important as the demands on our people leaders increase.

Based on the positive lessons learnt from the pandemic around productivity and employee experience as well as listening to our employees' preferences on flexibility, in 2021 we implemented a hybrid working model in a phased manner across our markets, combining virtual and office-based working with greater flexibility in working patterns and locations. This is a significant step towards being more inclusive of the diverse needs of our workforce and supporting their wellbeing by consciously balancing individual choice and flexibility with business and client needs. While we continue to roll out the model across our markets, enforced absence from offices during the pandemic has also highlighted the benefit of face-to-face interaction and we continue to value our physical workspaces as hubs of teamwork, collaboration and learning. Toolkits and guidance have been provided to colleagues and leaders to help navigate hybrid ways of working, especially at key moments such as onboarding new team members, returning from parental leave and during performance conversations, as well as to help re-create 'water cooler' moments in hybrid work environments.

As employees operated in a variety of these hybrid-working formats through 2021 – either as part of our flexi-working programs or due to ongoing pandemic restrictions – supporting their wellbeing, health, safety and resilience continued to be a key priority. In some markets, that were acutely impacted by the pandemic during 2021, such as India, the Philippines, Sri Lanka, Nigeria and Zimbabwe, we provided additional financial assistance to employees, including access to increased credit facilities and extended medical coverage, in some cases also for extended to families. Teams partnered across our markets to organize emergency medical support for colleagues and their extended families, and at locations where permissible, in partnership with government initiatives, we organized camps to accelerate vaccination.

Further, with our aim to provide employees the skills, tools and motivation to manage their wellbeing proactively and to deal with challenges effectively, we continue to drive awareness of our wellbeing resources that are available to all globally. These include a mental health app, a physical wellbeing online platform, an upgraded employee assistance programme, wellbeing toolkits, learning programmes on mental health and resilience as well as an expanded network of trained Mental Health First Aiders. In parallel, we are seeking to mitigate the causes of work-related stress and encourage a focus on supportive behaviours within existing processes and all decision making.

In addition to leveraging inputs from employee surveys, the Court also engages with and listens to the views of the colleagues through virtual, interactive engagement sessions.

Developing skills of future strategic value
The world of work continues to change rapidly. Our employees need a combination of human and technical skills to succeed both today and in the future. We're building a culture of continuous learning, empowering employees to grow, follow their aspirations and embrace the skills needed for the future. Employees are actively using our online learning platform diSCover that we had launched in 2020, and which is now accessible via a mobile app as well, including to build future skills around Data & Analytics, Digital, Cyber, Client Advisory and Sustainable Finance.

We have focussed over 2021 on designing and deploying targeted upskilling and re-skilling pilot programmes directed towards critical 'future' roles where our Strategic Workforce Planning analysis has predicted the increasing need for talent, such as universal banker, cloud security engineering, data translator and cyber security analyst. This approach has united our recruitment, talent management and learning efforts to target, upskill and deploy employees into new roles.

Creating a Culture of Inclusion and Innovation

We believe that inclusion is how we will enable our diverse talent to truly deliver impact. As the pandemic extended into 2021, the need to lead inclusively in a hybrid-working set-up continued to be a key expectation of our people leaders. With the focus on building a culture of inclusion, colleagues are undertaking the ' When We're all included' learning programme, centred on increasing awareness around diversity and inclusion principles, tackling issues such as unconscious bias and micro behaviours as well as emphasizing the importance of creating an inclusive environment. As we listened to employee feedback and responded to the need to better develop psychological safety, we also released an inclusive language guide and continue to review business terms to be more inclusive moving forward. In our annual My Voice survey, 79.46 per cent of employees reported positive sentiments around our culture of inclusion.

Read our inclusive language guide at sc.com/inclusivelanguageguide

Our commitment to Diversity & Inclusion (D&I) is now supported by more than 50 employee resource groups (ERGs) across our markets that help provide learning, development and networking opportunities. The ERGs align to our focus areas of gender, ethnicity and nationality, generations, sexual orientation, disability and wellbeing.

Our gender diversity continues to grow with more female leaders moving up to more senior roles. By the numbers, females currently represent 31 per cent of the Court, and female representation in senior leadership roles increased by 1.7 percentage points to 28.7 per cent at the end of 2021.

We remain focused on building a workforce that is truly representative of our client base and footprint, and we have developed strategic partnerships in the US and extended our Futuremakers RISE programme to increase the diversity of our talent pipelines. As we work towards achieving our 2025 UK and US ethnicity senior leadership aspirations which were defined last year, we continue focus on nurturing local talent in markets across Asia, Africa and Middle East to ensure we reflect the diversity of our global clients. In 2021, we provided employees, where legally permissible, the ability to self-identify ethnicity data through our online systems and started educating on the value and purpose of collecting this information. We expect increased participation and self-declaration of ethnicity to allow us additional insights towards building an even more representative workforce.

We recognise six key[1] D&I dates across the year and use these as focal points to facilitate open dialogue on inclusion internally and externally. Through these global campaigns we have engaged and strengthened relationships with clients and external stakeholders collectively raising awareness, promoting best practices and committing to take practical steps to advance the D&I agenda in the community.

Our progress continues to be recognised externally – we are the first financial services organisation to achieve the second highest level of EDGE Strategy Certification in Sri Lanka; we have ranked as a Diversity Leader for the second consecutive year in the Financial Times report on Diversity and Inclusion in Europe, ranked for the first time within the Top 100 organisations Refinitiv (formerly Thomson Reuters) Diversity and Inclusion Index; ranked as one of the World's Best Employers in Forbes for the first time and also recognised at the European Diversity Awards for Supplier Diversity Programme.

As the Bank continues to transform to achieve our strategic ambitions, we are also refreshing the way we manage and recognise performance. Moving forward, we aim to build an even stronger culture of high performance by focusing on continuous feedback, coaching, and open two-way performance and development conversations. We will place greater emphasis on recognising outperformance driven by collaboration and innovation, encourage more flexibility and aspiration during goal setting, and remove individual performance ratings. During 2021, we piloted aspects of this refreshed approach with a select first adopter population of employees and will be further embedding the approach across the organization in 2022.

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

Sustainable and responsible business

Our core markets represent unique challenges and opportunities, with rapid urbanisation, heightened vulnerability from climate change, and significant social and economic disruption brought by the COVID-19 pandemic. Yet these regions only receive a fraction of the capital flows they urgently need.

At Standard Chartered, we have the financial expertise, governance frameworks, technology and geographical reach to unlock capital for sustainable development, where it matters most.

We have set ourselves the vision to become the world's most sustainable and responsible bank, committed to sustainable social and economic development through our **business**, **operations** and **communities**.

In pursuit of this, and in alignment with stakeholder priorities, in 2021 we formally elevated sustainability to be a pillar of our strategy.

We have also set long-term ambitions for our role in tackling the severe impacts of climate change, stark inequality and unfair aspects of globalisation that impact everyone and the planet.

This enhanced focus ensures sustainability is embedded across our business and integrated into all our decision making, with robust governance provided by the PLC Board. Management Team and multiple supporting sub-committees.

Our Sustainability Aspirations

Our approach is underpinned by a suite of Sustainability Aspirations at PLC Group level, that set out how we aim to promote social and economic development, and deliver sustainable outcomes in the areas in which we can make the most material contribution to the delivery of the UN Sustainable Development Goals (SDGs).

We review and refresh our Sustainability Aspirations annually to ensure they reflect our stakeholders' priorities and evolving strategy. For example, in 2021, we committed to consult with shareholders, investors, clients and civil society to develop a definition, methodology, targets and timeline to develop our ambition to measuring, managing and reducing emissions associated with our financing of clients to support our objective to achieve net zero by 2050.

We measure progress against the targets set out in our Sustainability Aspirations and incorporate selected Aspirations into the PLC Group Scorecard to drive widespread awareness and support delivery.

The following pages set out our approach and progress towards our most material sustainable and responsible business topics. Further information on our approach to climate change can also be read in our 2021 Task Force on Climate-related Financial Disclosures report at sc.com/tcfd in Q1 2022.

Pillar 1: Business

Our main impact on the environment and society is through the business activities we finance. Through our core business, we promote sustainable finance in our markets, expanding renewables, and financing and investing in sustainable infrastructure where it is needed most. We want to make the world a better, cleaner and safer place and minimise the negative impact of our financing. In other words, do more good and less harm.

Do more good – promoting Sustainable Finance

We create and offer sustainable finance products that support sustainable development. PLC Group's Green and Sustainable Product Framework guides our labelling of sustainable assets internally. The Framework was developed, and is reviewed annually, in collaboration with the leading provider of ESG and corporate governance research, Sustainalytics.

In 2021, this review led to the Framework being updated to include additional green buildings certifications as well as tightening eligibility criteria where market expectations have evolved.

Alongside our net zero approach in October 2021, we also launched our new Transition Finance Framework. This outlines the activities that we consider eligible for labelling as 'transition' and is intended to support our clients in their journey to a lower carbon future.

In 2022, we expect growth of our sustainable finance asset base to continue at pace, both as the market develops and also as we further expand and embed our sustainable finance product offering with our clients.

Read our Sustainable Finance Impact Report: sc.com/SFimpactreport

Do less harm – managing Environmental and Social risk

We have a comprehensive approach to managing Environmental and Social(E&S) risk. We work with clients, regulators and peers across the finance sector to continuously improve E&S standards and mitigate the impact that stems from our financing decisions.

We have a suite of detailed policy frameworks and our Position Statements draw on global best practice, including the International Finance Corporation (IFC) Performance Standards and the Equator Principles (EP), to outline the cross-sector standards we expect of ourselves and our clients. Sector-specific guidance is also provided for clients operating in sectors with high environmental or social impact potential, and our Prohibited Activities list sets out the activities we do not finance. We will not provide financial services to clients who breach, or show insufficient progress in aligning with our position statements.

In 2021, we updated our Position Statements covering all sensitive sectors. We introduced enhanced requirements which will become effective from 2022, with the exception of additional restrictions placed on thermal coal dependent clients, which were effective immediately.

We identify and assess (E&S) risks related to our Corporate & Institutional, Commercial and Business Banking clients, and embed our E&S risk framework directly into our credit approval process. Where required, we proactively engage with clients to mitigate identified risks and impacts and support them to improve their environmental and social performance over time. All relationship managers and credit officers are provided with access to detailed online resources and E&S guidelines and offered training in assessing E&S risk against our criteria.

Our approach remains to work with clients to improve their E&S performance with specific timebound action plans. Where clients are unable or unwilling to meet our requirements, we will ultimately exit those relationships.

During 2021, the PLC Group continued to hold the position of Chair of the EP Association, and member of the Board of Governors of the Roundtable for Sustainable Palm Oil. In addition, PLC Group adopted the Poseidon Principles.

In 2022, we will prioritise our approach to biodiversity, and update our Environmental and Social Risk Management Framework in support of our ambition to become the world's most responsible and sustainable bank. We will also further expand our capacity to conduct E&S due diligence on clients by leveraging our Global Business Service centre in Warsaw.

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

Read more about our prohibited activities at sc.com/prohibitedactivities.

Read more about PLC Group's reporting against the Equator Principles:

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

Responding to climate change

We believe that climate change is one of the greatest challenges facing the world today and that its impact will hit hardest in the communities and markets where we operate, namely Asia, the Middle East and Africa.

Our climate strategy is structured around three pillars: accelerating sustainable finance; reducing our direct and financed emissions; and managing the financial risk from climate change. These focus areas reflect the ways in which we contribute and are exposed to the risks arising from climate change.

Accelerating sustainable finance

The need for a just transition to an inclusive, net-zero economy brings with it a huge opportunity for innovation and growth for our clients and our Bank. We are uniquely placed to help by directing capital to markets that have both the greatest opportunity to adopt low-carbon technology, and some of the toughest transition-financing and climate challenges.

Reducing our direct and financed emissions

Since 2018, we have been working on aligning the emissions from both our own operations and our financing activities to the Paris Agreement goal of below two degrees of global warming. During 2021, we set out our plan to reach net zero in our financing by 2050, with ambitious interim targets to substantially reduce our financed carbon emissions by 2030.

To achieve this, the PLC Group has set out a roadmap to reduce financed emissions, finance transition projects and accelerate new solutions. Read more about our approach to net zero at Net zero | Standard Chartered (sc.com).

We continue to innovate and strive to accelerate new solutions to climate change, such as launching and growing sustainable products; reporting on wealth management emissions; and deploying a new Transition Acceleration Team to provide our clients in carbon-intensive sectors with deep expertise on how to accelerate their low-carbon transitions, and tools to measure their progress.

We have also set out our plan to reducing the emissions we produce, and in 2021 we advanced our target to achieve net zero in our operations from 2030 to 2025.

We also recognise that we have significant indirect contribution and exposure to climate impacts through the goods and services we procure from our suppliers. In 2021, we developed a methodology to measure our supplier Scope 3 emissions and used this to engage our top emitting suppliers to understand their climate-related actions, goals and overall alignment with our Sustainability agenda.

As a result, sustainability factors have been embedded into our Spend Category Plans, including targeting specific areas to drive emission reductions. We also began to embed emissions-related clauses into relevant supplier contracts to reduce our consumption and mitigate remainder emissions.

Managing the financial risk from climate change
Managing the financial risks from climate change remains a key priority for the organisation. Throughout 2021 we continued to embed climate risk management into our Enterprise Risk Management Framework, with a particular focus on financial risk.

Climate stress tests across our markets, including the Bank of England's 2021 Biennial Exploratory Scenario, have improved our understanding of climate risk, strengthened our scenario analysis capabilities and deepened client engagement. In partnership with peers, industry and academia, we are transitioning from measurement to management of climate risk. Through ongoing partnership with Imperial College London, we supported the publication of a new climate research which revealed the potential for nature-based solutions to tackle the interlinkages between agriculture, land-use and climate change.

Standard Chartered PLC Group has publicly committed to the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations since 2017. Our comprehensive TCFD disclosure is published in a standalone report which provides information in a readily identifiable and accessible format for all interested stakeholders. This can be accessed at sc.com/tcfd.

Pillar 2: Operations

We strive to be a responsible business, drawing on our purpose, brand promise, valued behaviours and Code of Conduct to help us fight financial crime, minimise our impact and embed our values across our business.

Driving good conduct and ethics

Good conduct is critical to delivering positive outcomes for our clients, markets and stakeholders. In 2021, Conduct Risk became an integral component of the Enterprise Risk Management Framework, ensuring it is considered within each principal risk type. A new management approach using targeted metrics, analytics and data to enhance our conduct risk identification and mitigation will be rolled out in phases across 2022.

In October 2021 we updated our operational risk management system, introducing a new field to tag each issue logged with the most appropriate conduct outcome. This has enabled the data to be included as a baseline conduct metric in the PLC's Group Conduct Dashboard to facilitate data and insight analysis. The PLC's Group Conduct Dashboard collates a diverse array of data to present a visual summary of potential Conduct Risks.

The PLC's Group Code of Conduct (the Code) remains the primary tool through which we set our conduct expectations. The Code supports all our policies, setting out minimum standards and reinforcing our valued and expected behaviours. It also outlines a decision-marking framework to help colleagues make good decisions. To reinforce our shared commitment to the highest possible standards of conduct, each year we ask our colleagues to reconsider what the Code means to them through a refresher e-learning, and recommit to it. In 2021, 99.5% per cent of our colleagues completed this.

The ability to raise concerns is essential to upholding the PLC Group's Here for good brand and valued behaviours. Early disclosure of concerns reduces the risk of financial and reputational loss caused by misconduct. We encourage colleagues, contractors, suppliers and members of the public to raise concerns to our Speaking Up whistleblowing programme which offers secure, independent and confidential channels to report any concerns without fear of retaliation. Examples of whistleblowing concerns include breaches of regulatory requirements, breaches of Group policy and/or standards, or behaviour that has adverse effects on colleagues or on the Group's reputation.

In 2021, we united our Conduct and Speaking Up teams to form a new Conduct & Ethics (C&E) team. This enables us to leverage synergies and apply increased focus on the prevention of misconduct alongside our detection capabilities. In 2022, we will continue to enhance our conduct policies and standards so that they remain current, clear and effective. We will also roll out C&E engagement initiatives to unite colleagues and lift participation across the Group ensuring a Group-wide focus on living the Group Code of Conduct.

Furthermore, we will continue to develop our Group Conduct Dashboard to derive deeper conduct insights that will enable us to drive action and remediation in a more targeted manner across the Conduct Programme.

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

Fighting financial crime

Our ambition is to tackle some of today's most damaging crimes by making the financial system a hostile environment for criminals and terrorists.

Our Conduct, Financial Crime & Compliance (CFCC) team leads our financial crime risk management activities. We safeguard against money laundering, terrorist financing, sanctions, fraud and other risks, applying core controls such as client due-diligence screening and monitoring. In addition, anti-bribery and corruption (ABC) policies aim to prevent colleagues, or third parties working on our behalf, from engaging in bribery.

We frequently inform and alert clients about the fraud threats and have robust controls and processes in place to help clients identify false actors and alert us should they encounter any phishing or fraudulent transaction attempts.

Within CPBB, we are continuously investing in product systems upgrades to enhance our capabilities with respect to fraud detection, and embed preventative controls across new product sales and client transactions.

We have invested significantly to ensure our employees are properly equipped to combat financial crime. In 2021, 99.9 per cent of colleagues completed trainings on ABC training, anti-money laundering and sanctions and fraud. In addition to internal training, our Supplier Charter sets out our expectations and minimum standards related to ABC.

In 2021, we continued our vigilance around COVID-19 related risks, leveraging controls implemented in 2020 to identify red flags in relation to fraud, money laundering, bribery and corruption and share insights with our clients, colleagues, and partners. Aside from our response to the pandemic we have continued to strengthen our controls by innovation and investment in technology.

In 2022, we will continue to adapt our controls to emerging threats by ensuring we have highly trained and experienced employees working with new technologies to detect any abuse of the financial system. We will also continue to partner with, and educate, peer banks and clients in the detection and control of financial crime risks.

For more visit sc.com/fightingfinancialcrime

Respecting human rights

We are committed to respecting human rights and ensuring 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.

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

The PLC Group's Modern Slavery Statement details the actions we are taking to tackle modern slavery and human trafficking in our business and operations.

In 2021, we commissioned an external consultancy to review our human rights practices and, following their recommendation, we updated our E&S risk assessment process. We now require additional due diligence checks for those clients identified as having a heightened modern slavery risk. A human rights specialist consultancy database was established to assist in conducting this due diligence and to support clients to implement corrective action plans when human rights allegations are flagged. We also produced guidance for clients to support the development of their own human rights policies and procedures.

Within our supply chain, we provided training, digital documents and internal communications to raise awareness of modern slavery across all Supply Chain Category Managers and Contract Owners. Modern slavery risk is now highlighted at the vendor onboarding stage, and Procurement Category Plans have been enhanced for all supplier categories found to have heightened risk. For those suppliers determined by our internal modern slavery risk review to require additional due diligence as a condition to continue with the supplier engagement, on-site audits are also conducted.

To promote human rights in our workforce, we updated our Human Rights Position Statement to incorporate new frameworks and practices relating to the human rights of our employees. We also updated our Supplier Charter to encourage our suppliers to promote fair pay practices within their workforce, including the development of their own understanding of living wage.

Read our 2021 Modern Slavery Statement at sc.com/modernslavery

Managing our environmental footprint

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

We also measure the amount of non-hazardous waste our branches and offices generate and recycle. We do not produce or handle, and therefore do not report information on, material quantities of hazardous waste.

We have measured and reduced our GHG emissions since 2008. Our Scope 1 and 2 emission reduction target has been validated by the Science-based Targets Initiative (SBTi) as being in line with a well below two degrees centigrade scenario.

Through our Sustainability Aspirations, we have set more ambitious targets to achieve net zero emissions and ensure we only consume renewable energy across our portfolio by 2025. In partnership with our long-term strategic real estate suppliers such as CBRE and JLL, we are continually reviewing our direct fuels, on-site renewable energy sources and constantly improving our facilities to deliver the efficiency improvements needed across our properties to meet these challenging targets.

Water availability remains a growing challenge in many of our markets. Although we did not face any issues sourcing potable water in 2021, we continue to take a sustainable and responsible approach to managing water across the Group.

We are committed to reducing waste in all its forms and since 2019, have been committed to reducing waste to 40 kilograms per employee and recycling 90 per cent of our waste by 2025. Each year, we prevent more than one million disposable cups going to landfill and non-recyclable waste is sent for energy generation or compost to limit our impact on landfill where possible.

In 2021, energy and emissions reductions initiatives included clean power purchase agreements, water recycling, solar rooftops and on-site waste composting. These direct initiatives reduced our CO_2 emissions by 33 per cent, and our energy consumption by 25 per cent year-on-year to 121 GWh. Specifically, investment in energy efficient products accounted for 8 GWh of this reduction, resulting in a lower carbon and more efficient portfolio.

During 2022 we will initiate a new True Zero Waste certification programme in our Changi Business Park campus, Singapore. True Zero Waste certifies 90 per cent of waste diverted from landfill or incineration and will require a significant step up in waste management and avoidance. This will be in addition to certifying more single-use-plastic free buildings and reducing paper consumption globally.

Our reporting criteria sets out the principles and methodology for measuring our emissions, and our PLC Group Scope 1 and 2 emissions, as well as water and waste data, are independently assured by Global Documentation.

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

Pillar 3: Communities

Stakeholders: Society, Regulators and Governments

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

We continue to support our communities through Futuremakers by Standard Chartered, our global initiative to tackle youth economic inclusion and enable the next generation to learn, earn and grow. In 2021, our employees and partners continued to support Futuremakers and its related COVID-19 economic recovery projects.

Goal, our Futuremakers girls' empowerment programme to tackle negative gender and social norms, implemented face-to-face sessions where possible and combined these with a digital curriculum delivered through phone messaging, radio or online. We also supported the FREE (Financial Resilience and Economic Empowerment) Fund, a funding mechanism led by our Goal partner Women Win, to further long-term investment in the economic empowerment of adolescent girls and young women who have been heavily impacted by COVID-19.

Through additional funding allocated in 2020 to support COVID-19 economic recovery, this year we significantly scaled-up our livelihood programmes.

The second edition of our virtual Futuremakers Forum to create partnerships and opportunities for young people engaged participants including business leaders and policy experts in collective skills and knowledge-sharing on the future of work. The event was an opportunity for us to seek out best practice to support the livelihoods of young people and find business leaders who are committed to ensuring that the next generation is prepared for success.

Despite COVID-19 restrictions limiting face to face volunteering, 17 per cent of employees volunteered, contributing more than 16,260 volunteering days with many contributing through new opportunities for virtual volunteering.

During 2022, we will continue to deliver and expand Futuremakers programmes, realign our Community Aspirations to reflect the growth of Futuremakers, launch new partnerships to increase employee volunteering, release a Futuremakers impact report and host the third Futuremakers Forum, focused on entrepreneurs and lifting participation.

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 2021 ESG report released in Q1 2022.

Reporting requirement	Where to read more in this report about policies, impact (including risks, policy embedding, due diligence and outcomes)
Business model	Pages 11 to 13
Non-financial KPIs	Page 2
Risk Review (principal and emerging risks)	Pages 129 to 152
Environment	
• Sustainable & Responsible Business	Pages 42 to 47
• Directors Report	Pages 49 to 54
Employees	Pages 40 to 42
Human rights	Page 45
Social matters	Page 43
Anti-corruption and anti-bribery	Page 45

Authority

The strategic report up to page 48 has been issued by order of the Court.

Bill Winters
Director

17 February 2022

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 2021.

Activities

The activities of the Group are banking and providing other financial services. The Group comprises a network of branches and offices in 58 markets. The Financial Review on pages 20 to 24 contains a review of the business during 2021.

Key stakeholders

The long-term success of the Group is dependent on its relationships with its key stakeholders. On pages 37 to 47 we outline the ways in which we have engaged with key stakeholders, the material issues that they have raised with us, and how these issues have been taken into account in the Court's decision-making processes.

Results and dividends

The results for the year are given in the income statement on page 167.

Dividends of $1,511 million were paid during the year to ordinary shareholders (2020 $Nil).

Share capital

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

Loan capital

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

Property, plant and equipment

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

Financial instruments

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

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

Post balance sheet events

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

Research and development

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

Future developments in the business of the Group

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

Directors and their interests

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

Mr A N Halford
Mr M Smith
Mr W T Winters, CBE
Mr D P Conner
Ms G Huey Evans, CBE
Mr N Kheraj
Dr N Okonjo-Iweala (Resigned 28 February 2021)
Mr D Tang
Mr C Tong
Dr J Viñals
Ms J M Whitbread
Mr P Rivett
Ms M Ramos (Appointed 1 January 2021)
Ms A Mcfadyen (Appointed 23 February 2021)

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

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

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

All of the directors as at 31 December 2021, except Mr Smith, Ms Mcfadyen and Dr Ngozi Okonjo-Iweala (who stepped down from the Court on 28 February 2021) are directors of the Company's ultimate holding company, Standard Chartered PLC.

Going concern

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

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

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

Having made appropriate enquiries, the Court is satisfied that the Company and the Group as a whole have adequate resources to continue operational businesses for a period of 12 months from 17 February 2022 and therefore continue to adopt the going concern basis in preparing the financial statements.

Political donations

The Group has a policy in place which prohibits donations being made that would: (i) improperly influence legislation or regulation, (ii) promote political views or ideologies, (iii) fund political causes. In alignment to this, no political donations were made in the year ended 31 December 2021.

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 2021 and remain in force at the date of this report.

Qualifying Pension Scheme Indemnities

Qualifying pension scheme indemnity provisions (as defined by section 235 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2021 for the benefit of the directors of the UK's pension fund corporate trustee (Standard Chartered Trustees (UK) Limited) and remain in force at the date of this report.

Areas of operation

The Company operates through branches and subsidiaries in 58 markets across Asia, the Middle East, Africa, Europe and the Americas.

Related party transactions

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

Corporate Governance Statement

Following the consolidation of the Greater China and North Asia Hub ("GCNA") and the ASEAN and South Asia Hub ("ASA") which formed the Asia Hub in 2021, countries in the Asia Hub have operated under an Asia governance model. However, as the Group continues to cover the vast majority of PLC Group's total footprint, the governance arrangements of the Company and PLC similarly reflect this overlap and are represented by a predominately mirrored board structure between PLC and the Company.

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

The Court is supported by four primary committees: Audit Committee; Risk Committee; Nomination Committee; and US Risk Committee. Each of the primary committees and the Court have implemented clear lines of responsibility and policies to support the Court in its effective decision making. The Court also has a Standing Committee with a remit to approve matters, on behalf of the Court, where a formal resolution is required for legal and regulatory purposes. The Court, and its Audit and Risk Committees have similar membership as the Board of PLC and its Audit and Risk Committees, with the appropriate balance, skills, background and experience to make a valued contribution. For further information on how the Audit Committee and Risk Committee operate (including in respect of their compliance with the Code), please see pages 116 to 122 and 123 to 129 of PLC's 2021 Annual Report.

The Court, together with the PLC Group, are committed to high standards of engagement with employees, suppliers and other stakeholders. For a description of how the directors engaged with stakeholders, including as to how such engagement has been considered in the Court's decision making, please refer to page 37 to 47.

Employee involvement

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

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

Our senior leaders and People Leaders continue to play a critical role in engaging our teams across the network, ensuring that they are kept up to date on key business developments related to our performance and strategy. Our People Leaders also provide guidance and help colleagues understand their role in executing and delivering on the bank's strategy. With the ongoing impact of the global pandemic, the bank has also endeavoured to disseminate timely information that has enabled our colleagues to stay informed of the various national/international developments and more importantly, to ensure they are supported in terms of their physical and mental safety and wellbeing.

Across the organisation, regular team meetings with People Leaders, one-to-ones and various management meetings provide an important platform for colleagues to discuss and clarify key issues. The bank's senior leadership (Group Chairman, CEO, Board) also regularly shares global, regional and country updates on financial performance, strategy, structural changes, HR programmes, performance reviews and campaigns.

The Court engages with and listens to the views of the workforce through several sources, including through virtual, interactive engagement sessions.

Employees, past, present and future can follow our progress through the Group's LinkedIn network and Facebook page, and other social network channels, which collectively have over 2.2 million followers.

The diverse range of communication tools and channels we have put in place, ensures that all our colleagues regardless of where they sit within our organisational network receive timely and relevant information (in channels of their choosing) to support them in being effective in their various roles.

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

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

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

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

Diversity and Inclusion

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

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

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

We strive for recruitment, employment, redundancy and redeployment, training, development, succession planning and promotion practices that are inclusive and accessible; and that do not directly or indirectly discriminate.

Recruitment, employment, training, development and promotion decisions are based on the skills, knowledge and behaviour required to perform the role to the PLC Group's standards. Implied in all employment terms is the commitment to provide equal pay for equal work. We also make reasonable workplace adjustments (including during the hiring process), to ensure all individuals feel supported and are able to participate fully and reach their full potential. If employees become disabled, we will proactively seek to support them with appropriate training and workplace adjustments where possible and explore every opportunity to ensure their employment continues.

Health and safety

Our Health, Safety and Wellbeing (HSW) programme covers both mental and physical health and wellbeing. The Group complies with both external regulatory requirements and internal policy and standards for HSW in all markets. It is Group policy to ensure that the more stringent of the two requirements is always met, ensuring our HSW practices meet or exceed the regulatory minimum. Compliance rates are reported at least biannually to each country's management team.

HSW performance and risks are reported annually to the PLC Group Risk Committee and Bank Court Risk Committee. We use a health and safety management system across all countries to ensure a consistently high level of health and safety reporting for all our colleagues and clients.

The Bank sponsors medical and healthcare services for all employees, except in markets where cover is provided through State-mandated healthcare, which represent less than 0.5 per cent of the PLC Group's employees. All staff also have access to professional counselling via our Employee Assistance Program.

Furthermore, we consider and treat mental health issues requiring first aid in the same way that we would treat physical injuries. Our global Mental Health First Aid (MHFA) program offers help to someone developing a mental health problem, experiencing a worsening of an existing mental illness or a mental health crisis. The mental health support is given until appropriate professional help is received, or the crisis resolved.

In 2021, we worked with an external certified provider to develop our previously classroom-based MHFA training program into a virtual program which can be accessed by any colleague regardless of their location.

In 2021, we recorded no work-related fatalities or serious long-term work-related health issues in our staff.

Throughout 2021, the COVID-19 pandemic continued to impact health, safety and wellbeing. With lockdowns and restrictions continuing across our markets throughout the year, we accelerated our Future Workplace Now plans and the majority of colleagues adopted working from home arrangements. Workplace closures and restricted operations resulted in a reduction in workplace accidents and incidents; however, home working introduced new and emerging risks to manage across health, safety and wellbeing. A H&S inspection checklist is available for staff to assess their working area for hazards, and virtual assessments by H&S experts are organised if required. All staff opting to work flexibly receive an allowance to purchase ergonomic office equipment. Our work injury insurance covers all staff working from home.

Supply Chain Management

To support the operation of our branches, offices, businesses and functions we source a variety of goods and services. The majority of our expenditure is on services and is managed through a third-party governance framework which ensures that we follow the highest standards in terms of sourcing, awarding and onboarding suppliers.

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

As set out under the UK Modern Slavery Act 2015, the PLC Group is required to publish a Modern Slavery Statement annually. The PLC Group's 2021 Modern Slavery Statement will be issued at the same time as the Annual Report. This document will give further detail on how the PLC Group has prevented modern slavery and human trafficking in its operations, financing and supply chain during 2021.

Our Supplier Charter and Supplier Diversity and Inclusion standard can be viewed at https://www.sc.com/en/group/suppliers/

Product Responsibility

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

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

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

For more information on our approach to product design, product pricing, treating customers fairly and protecting vulnerable customers, and incentivising our frontline employees, see pages 37 to 42. For more information on fraud identification see page 45.

Environmental impact of our operations

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

In 2021, energy and emissions reductions initiatives included clean power purchase agreements, water recycling, solar rooftops and on-site waste composting. These direct initiatives reduced our CO2 emissions by 33 per cent, and our energy consumption by 25 per cent year-on-year to 121 GWh. Specifically, investment in energy efficient products accounted for 8 GWh of this reduction, resulting in a lower carbon and more efficient portfolio.

Our reporting criteria document sets out the principles and methodology used to calculate the GHG emissions of the PLC Group. For more information, review the reporting criteria at sc.com/environmentcriteria

Reporting period

The reporting period of our environmental data is from 1 October 2020 to 30 September 2021. This allows sufficient time for independent assurance to be gained prior to the publication of results. Accordingly, the operating income used in this inventory corresponds to the same time period rather than the calendar year used in financial reporting.

Auditor

The Audit Committee reviews the appointment of the Group statutory auditor, its effectiveness and its relationship with the Group, which includes monitoring our use of the auditors for non-audit services and the balance of audit and non-audit fees paid. Each director believes that there is no relevant information of which our Group statutory auditor is unaware. Each has taken all reasonable steps necessary as a director to be aware of any relevant audit information and to establish that Ernst & Young LLP (EY) is made aware of any pertinent information. A resolution to re-appoint EY as auditor will be proposed at the 2022 PLC Annual General Meeting.

By order of the Court

Bill Winters
Director

17 February 2022

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 UK - adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

- The Group financial statements have been prepared in accordance with UK adopted international accounting standards and International Financial Reporting Standards as adopted by the European Union;
- The Company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 UK and EU IFRS;
- Assess the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations or have no realistic alternative but to do so.

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

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

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

We confirm that to the best of our knowledge:

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

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

By order of the Court

Andy Halford
Director

17 February 2022

Risk review and Capital review

The following parts of the Risk review and Capital review form part of these financial statements:

- **a) Risk review:** Disclosures marked as 'audited' from the start of Credit Risk section (page 58) to the end of other principal risks in the same section (page 121)
- **b) Capital review:** 'CRD Capital base' to the end of 'Total capital' (page 154).

Risk profile

Our risk profile in 2021

Our Risk Management Framework (RMF) enables us to closely manage enterprise-wide risks with the objective of maximising risk-adjusted returns while remaining within our Risk Appetite. Identification and assessment of potentially adverse risk events is an essential first step in managing the risks of any business or activity and in order to facilitate that, the Group maintains a dynamic risk-scanning process with inputs from the internal and external risk environment, as well as potential threats and opportunities from the business and client perspectives, enabling us to proactively manage our portfolio. The Group maintains a taxonomy of the Principal Risk Types (PRTs), Integrated Risk Types (IRTs) and risk sub-types that are inherent to the strategy and business model; as well as an emerging risks inventory that includes near-term risks as well as longer-term uncertainties.

Despite the challenges brought on by the ongoing pandemic, we have built a strong foundation that has helped us to deliver a sustained strong performance with a resilient risk profile. Our corporate portfolios remain predominantly short-tenor and diversified across industry sectors, products and geographies. We have seen improvements in a number of our metrics that reflect our robust risk management during the pandemic. We remain vigilant to the continued impact of COVID-19 and an uneven recovery across markets and industries.

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

We have a robust risk management approach supported through our well-established RMF	Our portfolios exhibit a resilient risk profile despite a challenging macroeconomic environment	Our capital and liquidity positions continue to be at healthy levels
• Cross-cutting risks have been repositioned as IRTs and are defined as risks that are significant in nature and materialise primarily through the relevant PRTs • Given their integrated nature, Digital Asset Risk and Third-Party Risk, in addition to Climate Risk, have been categorised as IRTs in the RMF • The Capital and Liquidity PRT has been renamed to Treasury Risk and the scope of the risk type has been expanded to cover Interest Rate Risk in the Banking Book • Self-assessment performed at Group level affirms the overall effectiveness of the RMF adoption • The Group aims to further strengthen its risk management practices in 2022, through further improving on the management of non-financial risks within its businesses, functions and across the footprint, as well as management of risks which are integrated in nature Further details on the RMF can be found in the Risk management approach section (Page 122 to 128)	• The proportion of the Group's loans and advances to customers in stage 1 and 2 has improved to 87 per cent and 9 per cent respectively (from 84 per cent and 11 per cent respectively in 2020) • Exposure to investment grade clients has increased to 71 per cent (2020: 63 per cent) reflecting an increase in repurchase agreement balances and high-quality originations • There has been a 50 per cent decrease to \$4.3 billion (2020: \$8.5 billion) in early alerts exposure, mainly due to reductions in counterparty exposure and clients being removed from early alert • The total credit impairment charge is a release of \$28 million compared to a charge last year (2020: \$1.9 billion) • Stage 3 loans decreased to \$6.9 billion (2020: \$8.3 billion), with the overall contribution to the total reduced to 5 per cent (2020: 6 per cent). The overall Stage 3 cover ratio increased to 61 per cent (2020: 60 per cent) • The majority of our Consumer, Private and Business Banking products continue to be fully secured loans (stable at 84 per cent of the portfolio). The overall average loan-to-value of the mortgage portfolio is low at 46.5 per cent	• Our capital and liquidity positions remain above current requirements • Our Liquidity Coverage Ratio continues to be above 100 per cent • Our advances-to-deposits ratio decreased by 4.7 per cent to 52.1 per cent, driven by an increase in overall deposits • Our customer deposit base is diversified by type and maturity

Credit Risk

Basis of preparation

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

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

Credit Risk overview

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

Impairment model

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

Staging of financial instruments

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

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

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

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

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

IFRS 9 expected credit loss principles and approaches

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

Title	Description	Supplementary information	Page
Approach to determining expected credit losses	For material loan portfolios, the Group has adopted a statistical modelling approach for determining expected credit losses that makes extensive use of credit modelling. These models leveraged existing advanced Internal Ratings Based (IRB) models, where these were available. Where model performance breaches model monitoring thresholds or validation standards, a post model adjustment may be required to correct for identified model issues, which will be removed once those issues have been remedied.	IFRS 9 methodology Determining lifetime expected credit loss for revolving products	99 99
Incorporation of forward-looking information	The determination of expected credit loss includes various assumptions and judgements in respect of forward-looking macroeconomic information. Refer to page 100 for incorporation of forward-looking information, forecast of key macroeconomic variables underlying the expected credit loss calculation and the impact on non-linearity and sensitivity of expected credit loss calculation to macroeconomic variables. Management overlays may also be used to capture risks not identified in the models.	Incorporation of forward-looking information Forecast of key macroeconomic variables underlying the expected credit loss calculation Management overlay and sensitivity to macroeconomic variables	100 100 102

Title	Description	Supplementary information	Page
Significant increase in credit risk (SICR)	Expected credit loss for financial assets will transfer from a 12-month basis (stage 1) to a lifetime basis (stage 2) when there is a significant increase in credit risk (SICR) relative to that which was expected at the time of origination, or when the asset becomes credit-impaired. On transfer to a lifetime basis, the expected credit loss for those assets will reflect the impact of a default event expected to occur over the remaining lifetime of the instrument rather than just over the 12 months from the reporting date. SICR is assessed by comparing the risk of default of an exposure at the reporting date with the risk of default at origination (after considering the passage of time). 'Significant' does not mean statistically significant nor is it reflective of the extent of the impact on the Group's financial statements. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria, the weight of which will depend on the type of product and counterparty.	Quantitative criteria Significant increase in credit risk thresholds Specific qualitative and quantitative criteria per segment: Corporate, Commercial & Institutional Banking clients Consumer and Business Banking clients Private Banking clients Debt securities	104 104 104 105 105 105 106
Assessment of credit-impaired financial assets	Credit-impaired (stage 3) financial assets comprise those assets that have experienced an observed credit event and are in default. Default represents those assets that are at least 90 days past due in respect of principal and interest payments and/or where the assets are otherwise considered unlikely to pay. This definition is consistent with internal credit risk management and the regulatory definition of default. Unlikely to pay factors include objective conditions such as bankruptcy, debt restructuring, fraud or death. It also includes credit-related modifications of contractual cashflows due to significant financial difficulty (forbearance) where the Group has granted concessions that it would not ordinarily consider. Interest income for stage 3 assets is recognised by applying the original effective interest rate to the net asset amount (that is, net of credit impairment provisions). When financial assets are transferred from stage 3 to stage 2, any contractual interest recovered in excess of the interest income recognised while the asset was in stage 3 is reported within the credit impairment line.	Consumer and Business Banking clients Corporate, Commercial & Institutional Banking clients	106 106
Transfers between stages	Assets will transfer from stage 3 to stage 2 when they are no longer considered to be credit-impaired. Assets will not be considered credit-impaired only if the customer makes payments such that they are paid to current in line with the original contractual terms. Assets may transfer to stage 1 if they are no longer considered to have experienced a significant increase in credit risk. This will be immediate when the original PD based transfer criteria are no longer met (and as long as none of the other transfer criteria apply). Where assets were transferred using other measures, the assets will only transfer back to stage 1 when the condition that caused the significant increase in credit risk no longer applies (and as long as none of the other transfer criteria apply).	Movement in loan exposures and expected credit losses	72
Modified financial assets	Where the contractual terms of a financial instrument have been modified, and this does not result in the instrument being derecognised, a modification gain or loss is recognised in the income statement representing the difference between the original cashflows and the modified cashflows, discounted at the effective interest rate. The modification gain/loss is directly applied to the gross carrying amount of the instrument. If the modification is credit related, such as forbearance or where the Group has granted concessions that it would not ordinarily consider, then it will be considered credit-impaired. Modifications that are not credit related will be subject to an assessment of whether the asset's credit risk has increased significantly since origination by comparing the remaining lifetime PD based on the modified terms with the remaining lifetime PD based on the original contractual terms.	COVID-19 relief measures Forbearance and other modified loans	81 83

Title	Description	Supplementary information	Page
Governance and application of expert credit judgement in respect of expected credit losses	The models used in determining ECL are reviewed and approved by the PLC Group Credit Model Assessment Committee and have been validated by Group model validation, which is independent of the business. A quarterly model monitoring process is in place that uses recent data to compare the differences between model predictions and actual outcomes against approved thresholds. Where a model's performance breaches the monitoring thresholds then an assessment of whether an ECL adjustment is required to correct for the identified model issue is completed. The determination of expected credit losses requires a significant degree of management judgement which had an impact on governance processes, with the output of the expected credit models assessed by the IFRS 9 Impairment Committee.	PLC Group Credit Model Assessment Committee IFRS 9 Impairment Committee	107 107

Maximum exposure to Credit Risk (audited)

The table below presents the Group's maximum exposure to Credit Risk for its on-balance sheet and off-balance sheet financial instruments as at 31 December 2021, 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 $26 billion to $517 billion (2020: $491 billion). This was largely driven by an increase of $16 billion in Investment securities debt and an increase of $20 billion in fair value through profit and loss instruments offset by a reduction of derivative instruments of $16 billion.

Off-balance sheet instruments increased by $5.6 billion, of which undrawn commitments increased by $1.8 billion and financial guarantee, trade credit and irrevocable letters of credit increased by $3.8 billion from additional commitments provided to clients.

Group

	2021				2020			
		Credit risk management				Credit risk management		
	Maximum exposure $million	Collateral[8] $million	Master netting agreements $million	Net Exposure $million	Maximum exposure $million	Collateral[8] $million	Master netting agreements $million	Net exposure $million
On-balance sheet								
Cash and balances at central banks	61,963			61,963	58,117			58,117
Loans and advances to banks[1]	29,999	956		29,043	27,666	809		26,857
of which – reverse repurchase agreements and other similar secured lending[7]	956	956		–	809	809		–
Loans and advances to customers[1]	144,799	43,172		101,627	140,861	41,936		98,925
of which – reverse repurchase agreements and other similar secured lending[7]	3,764	3,764		–	2,919	2,919		–
Investment securities – debt securities and other eligible bills[2]	101,705			101,705	85,759			85,759
Fair value through profit or loss[3,7]	101,944	78,986	–	22,958	81,917	62,807	–	19,110
Loans and advances to banks	3,622			3,622	2,771			2,771
Loans and advances to customers	3,932			3,932	3,213			3,213
Reverse repurchase agreements and other similar lending[7]	78,986	78,986		–	62,807	62,807		–
Investment securities – debt securities and other eligible bills[2]	15,404			15,404	13,126			13,126
Derivative financial instruments[4,7]	53,245	7,757	42,577	2,911	69,225	9,184	52,308	7,733
Accrued income	996			996	1,088			1,088
Assets held for sale	52			52	83			83
Other assets[5]	22,281			22,281	25,873			25,873
Total balance sheet	516,984	130,871	42,577	343,536	490,589	114,736	52,308	323,545
Off-balance sheet[6]								
Undrawn commitments	100,686	2,658		98,028	98,882	2,663		96,219
Financial guarantees and other equivalents	49,235	1,813		47,422	45,418	1,742		43,676
Total off-balance sheet	149,921	4,471	–	145,450	144,300	4,405	–	139,895
Total	666,905	135,342	42,577	488,986	634,889	119,141	52,308	463,440

1 Net of credit impairment. An analysis of credit quality is set out in the credit quality analysis section (page 67). Further details of collateral held by client segment and stage are set out in the collateral analysis section (page 85)

2 Excludes equity and other investments of $575million (31 December 2020: $328 million). Further details are set out in Note 12 Financial instruments

3 Excludes equity and other investments of $4,585million (31 December 2020: $3,037million). Further details are set out in Note 12 Financial instruments

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

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

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

7 Collateral capped at maximum exposure (over-collateralised)

8 Adjusted for over-collateralisation, which has been determined with reference to the drawn and undrawn component as this best reflects the effect on the amount arising from expected credit losses. Loans and advances to customers collateral now re-presented between on and off -balance sheet as it also includes guarantees

Company

	2021				2020			
		Credit risk management				Credit risk management		
	Maximum exposure $million	**Collateral[8] $million**	**Master netting agreements $million**	**Net Exposure $million**	Maximum exposure $million	Collateral[8] $million	Master netting agreements $million	Net exposure $million
On-balance sheet								
Cash and balances at central banks	**48,165**			**48,165**	46,476			46,476
Loans and advances to banks[1]	**16,117**	**438**		**15,679**	14,997	55		14,942
of which – reverse repurchase agreements and other similar secured lending[7]	**438**	**438**		**–**	55	55		–
Loans and advances to customers[1]	**71,161**	**17,053**		**54,108**	72,969	17,854		55,115
of which – reverse repurchase agreements and other similar secured lending[7]	**3,047**	**3,047**		**–**	2,283	2,283		–
Investment securities – debt securities and other eligible bills[2]	**86,028**			**86,028**	70,872			70,872
Fair value through profit or loss[3,7]	**95,284**	**77,655**	**–**	**17,629**	77,715	62,262	–	15,453
Loans and advances to banks	**3,570**			**3,570**	2,771			2,771
Loans and advances to customers	**3,207**			**3,207**	2,581			2,581
Reverse repurchase agreements and other similar lending[7]	**77,655**	**77,655**		**–**	62,262	62,262		–
Investment securities – debt securities and other eligible bills[2]	**10,852**			**10,852**	10,101			10,101
Derivative financial instruments[4,7]	**53,478**	**7,033**	**43,788**	**2,657**	68,910	8,581	53,091	7,238
Accrued income	**659**			**659**	733			733
Assets held for sale	**49**			**49**	83			83
Other assets[5]	**19,860**			**19,860**	23,495			23,495
Total balance sheet	**390,801**	**102,179**	**43,788**	**244,834**	376,250	88,752	53,091	234,407
Off-balance sheet[6]								
Undrawn commitments	**66,678**	**1,820**		**64,858**	69,890	2,008		67,882
Financial guarantees and other equivalents	**37,465**	**1,581**		**35,884**	36,142	1,534		34,608
Total off-balance sheet	**104,143**	**3,401**	**–**	**100,742**	106,032	3,542	–	102,490
Total	**494,944**	**105,580**	**43,788**	**345,576**	482,282	92,294	53,091	336,897

1 Net of credit impairment. An analysis of credit quality is set out in the credit quality analysis section (page 67). Further details of collateral held by client segment and stage are set out in the collateral analysis section (page 85)

2 Excludes equity and other investments of $361million (31 December 2020: $230million). Further details are set out in Note 12 Financial instruments

3 Excludes equity and other investments of $4,421million (31 December 2020: $2,911million). Further details are set out in Note 12 Financial instruments

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

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

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

7 Collateral capped at maximum exposure (over-collateralised)

8 Adjusted for over-collateralisation, which has been determined with reference to the drawn and undrawn component as this best reflects the effect on the amount arising from expected credit losses. Loans and advances to customers collateral now re-presented between on and off -balance sheet as it also includes guarantees

Analysis of financial instrument by stage (audited)

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

The proportion of financial instruments held within stage 1 increased to 93 per cent (2020: 92 per cent). Total stage 1 balances increased by $30 billion, of which around $14 billion is in Debt Securities and other eligible bills and a $9 billion increase in loans and advances. Off-balance sheet exposures also increased, up $7 billion, in undrawn commitments and financial guarantees, trade credits and irrevocable letters of credit.

Stage 2 financial instruments decreased to 5 per cent (2020: 6 per cent) from exposures changes and upgrades to stage 1 mostly Early Alert and in High Risk clients.

Stage 3 financial instruments was at 1.5 per cent (2020:1.9 per cent) due to repayments and write-offs during the year.

Group

	2021											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance[1] $million	Total credit impairment $million	Net carrying value	Gross balance[1] $million	Total credit impairment $million	Net carrying value	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million
Cash and balances at central banks	61,901	–	61,901	66	(4)	62	–	–	–	61,967	(4)	61,963
Loans and advances to banks (amortised cost)	29,422	(11)	29,411	561	(4)	557	31	–	31	30,014	(15)	29,999
Loans and advances to customers (amortised cost)	129,990	(266)	129,724	12,741	(381)	12,360	6,941	(4,226)	2,715	149,672	(4,873)	144,799
Debt securities and other eligible bills[5]	96,350	(58)		5,315	(42)		113	(66)		101,778	(166)	
Amortised cost	28,978	(10)	28,968	196	3	199	113	(66)	47	29,287	(73)	29,214
FVOCI[2]	67,372	(48)		5,119	(45)		–	–		72,491	(93)	
Accrued income (amortised cost)[4]	996	–	996	–	–	–	–	–	–	996	–	996
Assets held for sale[4]	52	–	52	–	–	–	–	–	–	52	–	52
Other assets[4]	22,281	–	22,281	–	–	–	3	(3)	–	22,284	(3)	22,281
Undrawn commitments[3]	94,170	(23)		6,516	(53)		–	–		100,686	(76)	
Financial guarantees, trade credits and irrevocable letters of credit[3]	45,916	(12)		2,522	(21)		797	(207)		49,235	(240)	
Total	481,078	(370)		27,721	(505)		7,885	(4,502)		516,684	(5,377)	

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

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

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

4 Stage 1 ECL is not material

5 Stage 3 includes $33 million originated credit-impaired debt securities

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

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

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

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

4 Stage 1 ECL is not material

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

Company

	2021											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million
Cash and balances at central banks	48,165	–	48,165	–	–	–	–	–	–	48,165	–	48,165
Loans and advances to banks (amortised cost)	15,882	(9)	15,873	247	(3)	244	–	–	–	16,129	(12)	16,117
Loans and advances to customers (amortised cost)	59,760	(151)	59,609	9,795	(235)	9,560	5,019	(3,027)	1,992	74,574	(3,413)	71,161
Debt securities and other eligible bills[5]	82,388	(32)		3,603	(21)		82	(36)		86,073	(89)	
Amortised cost	25,828	(8)	25,820	130	(1)	129	82	(36)	46	26,040	(45)	25,995
FVOCI[2]	56,560	(24)		3,473	(20)		–	–		60,033	(44)	
Accrued income (amortised cost)[4]	659	–	659	–	–	–	–	–	–	659	–	659
Assets held for sale[4]	49	–	49	–	–	–	–	–	–	49	–	49
Other assets[4]	19,860	–	19,860	–	–	–	–	–	–	19,860	–	19,860
Undrawn commitments[3]	61,792	(9)		4,886	(35)		–	–		66,678	(44)	
Financial guarantees, trade credits and irrevocable letters of credit[3]	34,709	(9)		2,047	(17)		709	(175)		37,465	(201)	
Total[6]	323,264	(210)		20,578	(311)		5,810	(3,238)		349,652	(3,759)	

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4 Stage 1 ECL is not material

5 Stage 3 includes $33 million originated credit-impaired debt securities

6 Excludes 'Amounts due from subsidiary undertakings and other related parties' of $10,741 million. The amounts are held within stage 1 and rated as 'strong' at 31 December 2021 and is net of an expected credit loss of $26 million

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

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

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

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

4 Stage 1 ECL is not material

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

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

Credit quality analysis (audited)

Credit quality by client segment

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

Mapping of credit quality

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

	Corporate, Commercial & Institutional Banking			Private Banking[1]	Consumer and Business Banking
Credit quality description	Internal Grade mapping	S&P external ratings equivalent	Regulatory PD range (%)	Internal ratings	Number of days past due
Strong	1A to 5B	AAA to BB+	0 to 0.425	Class I and Class IV	Current loans (no past dues nor impaired)
Satisfactory	6A to 11C	BB to B-/CCC[2]	0.426 to 15.75	Class II and Class III	Loans past due till 29 days
Higher Risk	Grade 12	CCC/C	15.751-99.999	GSAM managed	Past due loans 30 days and over till 90 days

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

2 Rating for Corporate/NBFIs. Banks' rating: BB to CCC/C

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

Stage 1

Stage 1 gross loans and advances to customers increased by $7 billion compared with 31 December 2020 and represent 87 per cent of loans and advances to customers (2020: 84 per cent).

In Corporate, Commercial & Institutional Banking the percentage of stage 1 loans rated as strong is higher at 61 per cent (2020: 55 per cent) as the Group continues to focus on the origination of investment grade lending. Stage 1 loans increased by $1.6 billion, primarily in the Financing, insurance and non-banking and Manufacturing sector offset by reduction in Commercial real estate and Transport, telecom and utilities sector. Central and other items increased by $1 billion from exposures to Government sector.

Consumer, Private & Business Banking stage 1 loans increased by $4 billion primarily driven by new lending in mortgage products and secured wealth products. The proportion rated as strong increased by 2 per cent to 93 per cent (2020: 91 per cent).

The stage 1 coverage ratio decreased 10 basis points to 0.2 per cent compared with 31 December 2020.

Stage 2

Stage 2 loans and advances to customers decreased by $2.9 billion compared with 31 December 2020, with the proportion of stage 2 loans decreasing 2.5 per cent to 8.5 per cent. This was largely due to a $2.3 billion decrease in Corporate, Commercial & Institutional Banking in Manufacturing and Commercial real estate offset by Transport, telecoms and utilities sector.

Stage 2 loans to customers classified as 'Higher risk' decreased by $0.8 billion, with the majority of the decrease in Corporate, Commercial & Institutional Banking from repayments.

Consumer, Private & Business Banking stage 2 loans saw a decrease of $0.6 billion to $1.2 billion mainly driven by mortgage loans movement from stage 2 to stage 1 due to forward-looking macroeconomic outlook improvement.

The overall stage 2 cover ratio decreased by 1 per cent.

Stage 3

Stage 3 loans and advances to customers decreased by $1.3 billion and Stage 3 provisions reduced by $0.7 billion to $4.2 billion. The stage 3 cover ratio (excluding collateral) increased by 1 percentage point to 61 per cent, largely driven by new provisions in Consumer, Private & Business Banking.

In Corporate, Commercial & Institutional Banking, gross stage 3 loans decreased by $1.4 billion driven by repayments and write-offs. Stage 3 cover ratio remained stable at 62 per cent.

Consumer, Private & Business Banking stage 3 loans remained broadly stable at $1.2 billion. Cover Ratio increased by 7 per cent due to a new provision taken on a Business Banking client.

Loans and advances by client segment (audited)

Group

Amortised cost	2021						
		Customers					
	Banks $million	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Central & other items $million	Customer Total $million	Undrawn commitments $million	Financial Guarantees $million
Stage 1	29,422	66,471	44,645	18,874	129,990	94,170	45,916
– Strong	17,582	40,699	41,598	18,768	101,065	82,108	31,200
– Satisfactory	11,840	25,772	3,047	106	28,925	12,062	14,716
Stage 2	561	11,421	1,210	110	12,741	6,516	2,522
– Strong	119	2,016	673	–	2,689	1,787	580
– Satisfactory	104	8,214	251	–	8,465	3,737	1,387
– Higher risk	338	1,191	286	110	1,587	992	555
Of which (stage 2):							
– Less than 30 days past due	–	77	251	–	328	–	–
– More than 30 days past due	–	49	286	–	335	–	–
Stage 3, credit-impaired financial assets	31	5,750	1,191	–	6,941	–	797
Gross balance[1]	30,014	83,642	47,046	18,984	149,672	100,686	49,235
Stage 1	(11)	(54)	(212)	–	(266)	(23)	(12)
– Strong	(3)	(23)	(129)	–	(152)	(10)	(3)
– Satisfactory	(8)	(31)	(83)	–	(114)	(13)	(9)
Stage 2	(4)	(258)	(123)	–	(381)	(53)	(21)
– Strong	(3)	(2)	(62)	–	(64)	(5)	(1)
– Satisfactory	(1)	(158)	(28)	–	(186)	(40)	(9)
– Higher risk	–	(98)	(33)	–	(131)	(8)	(11)
Of which (stage 2):							
– Less than 30 days past due	–	(2)	(28)	–	(30)	–	–
– More than 30 days past due	–	(3)	(33)	–	(36)	–	–
Stage 3, credit-impaired financial assets	–	(3,563)	(663)	–	(4,226)	–	(207)
Total credit impairment	(15)	(3,875)	(998)	–	(4,873)	(76)	(240)
Net carrying value	29,999	79,767	46,048	18,984	144,799		
Stage 1	0.0%	0.1%	0.5%	0.0%	0.2%	0.0%	0.0%
– Strong	0.0%	0.1%	0.3%	0.0%	0.2%	0.0%	0.0%
– Satisfactory	0.1%	0.1%	2.7%	0.0%	0.4%	0.1%	0.1%
Stage 2	0.7%	2.3%	10.2%	0.0%	3.0%	0.8%	0.8%
– Strong	2.5%	0.1%	9.2%	0.0%	2.4%	0.3%	0.2%
– Satisfactory	1.0%	1.9%	11.2%	0.0%	2.2%	1.1%	0.6%
– Higher risk	0.0%	8.2%	11.5%	0.0%	8.3%	0.8%	2.0%
Of which (stage 2):							
– Less than 30 days past due	0.0%	2.6%	11.2%	0.0%	9.1%	0.0%	0.0%
– More than 30 days past due	0.0%	6.1%	11.5%	0.0%	10.7%	0.0%	0.0%
Stage 3, credit-impaired financial assets (S3)	0.0%	62.0%	55.7%	0.0%	60.9%	0.0%	26.0%
Cover ratio	0.0%	4.6%	2.1%	0.0%	3.3%	0.1%	0.5%
Fair value through profit or loss							
Performing	22,330	62,398	–	1,774	64,172	–	–
– Strong	19,888	48,426	–	1,772	50,198	–	–
– Satisfactory	2,442	13,972	–	2	13,974	–	–
– Higher risk	–	–	–	–	–	–	–
Defaulted (CG13-14)	–	38	–	–	38	–	–
Gross balance (FVTPL)[2]	22,330	62,436	–	1,774	64,210	–	–
Net carrying value (incl FVTPL)	52,329	142,203	46,048	20,758	209,009	–	–

1 Loans and advances includes reverse repurchase agreements and other similar secured lending of $3,764 million under Customers and of $956 million under Banks, held at amortised cost

2 Loans and advances includes reverse repurchase agreements and other similar secured lending of $60,278 million under Customers and of $18,708 million under Banks, held at fair value through profit or loss

Group

Amortised cost	Banks $million	Corporate, Commercial & Institutional Banking[3] $million	Consumer, Private & Business Banking[3] $million	Central & other items $million	Customer Total $million	Undrawn commitments $million	Financial Guarantees $million
	2020 (Restated)						
		Customers					
Stage 1	27,356	64,878	40,550	17,455	122,883	91,641	41,479
– Strong[4]	19,073	35,905	36,952	17,194	90,051	76,849	25,663
– Satisfactory[4]	8,283	28,973	3,598	261	32,832	14,792	15,816
Stage 2	323	13,747	1,859	–	15,606	7,240	3,175
– Strong	92	1,787	896	–	2,683	2,155	238
– Satisfactory	210	9,942	581	–	10,523	4,465	2,256
– Higher risk	21	2,018	382	–	2,400	620	681
Of which (stage 2):							
– Less than 30 days past due	–	179	579	–	758	–	–
– More than 30 days past due	5	148	392	–	540	–	–
Stage 3, credit-impaired financial assets	–	7,110	1,179	–	8,289	1	764
Gross balance[1]	27,679	85,735	43,588	17,455	146,778	98,882	45,418
Stage 1	(10)	(69)	(261)	(1)	(331)	(23)	(16)
– Strong[4]	(4)	(26)	(183)	–	(209)	(10)	(10)
– Satisfactory[4]	(6)	(43)	(78)	(1)	(122)	(13)	(6)
Stage 2	(3)	(430)	(189)	–	(619)	(73)	(25)
– Strong	–	(32)	(67)	–	(99)	(2)	(3)
– Satisfactory	(3)	(246)	(75)	–	(321)	(40)	(18)
– Higher risk	–	(152)	(47)	–	(199)	(31)	(4)
Of which (stage 2):							
– Less than 30 days past due	–	(6)	(75)	–	(81)	–	–
– More than 30 days past due	–	(6)	(47)	–	(53)	–	–
Stage 3, credit-impaired financial assets	–	(4,389)	(578)	–	(4,967)	–	(194)
Total credit impairment	(13)	(4,888)	(1,028)	(1)	(5,917)	(96)	(235)
Net carrying value	27,666	80,847	42,560	17,454	140,861		
Stage 1	0.0%	0.1%	0.6%	0.0%	0.3%	0.0%	0.0%
– Strong	0.0%	0.1%	0.5%	0.0%	0.2%	0.0%	0.0%
– Satisfactory	0.1%	0.1%	2.2%	0.4%	0.4%	0.1%	0.0%
Stage 2	0.9%	3.1%	10.2%	0.0%	4.0%	1.0%	0.8%
– Strong	0.0%	1.8%	7.5%	0.0%	3.7%	0.1%	1.3%
– Satisfactory	1.4%	2.5%	12.9%	0.0%	3.1%	0.9%	0.8%
– Higher risk	0.0%	7.5%	12.3%	0.0%	8.3%	5.0%	0.6%
Of which (stage 2):							
– Less than 30 days past due	0.0%	3.4%	13.0%	0.0%	10.7%	0.0%	0.0%
– More than 30 days past due	0.0%	4.1%	12.0%	0.0%	9.8%	0.0%	0.0%
Stage 3, credit-impaired financial assets (S3)	0.0%	61.7%	49.0%	0.0%	59.9%	0.0%	25.4%
Cover ratio	0.0%	5.7%	2.4%	0.0%	4.0%	0.1%	0.5%
Fair value through profit or loss							
Performing	20,976	47,757	–	12	47,769	–	–
– Strong	17,045	24,822	–	8	24,830	–	–
– Satisfactory	3,931	22,853	–	4	22,857	–	–
– Higher risk	–	82	–	–	82	–	–
Defaulted (CG13-14)	–	46	–	–	46	–	–
Gross balance (FVTPL)[2]	20,976	47,803	–	12	47,815	–	–
Net carrying value (incl FVTPL)	48,642	128,650	42,560	17,466	188,676	–	–

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

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

3 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking; Private Banking and Retail Banking to Consumer, Private & Business Banking. Prior period has been restated.

4 FY 2020 Consumer, Private & Business Banking Stage 1 Gross: Strong restated from $35,826 million to $36,952 million and Satisfactory restated from $4,724 million to $3,598 million. Stage 1 ECL: Strong restated from $161 million to $183 million and Satisfactory restated from $100 million to $78 million.

Loans and advances by client segment (audited)

Company

	2021						
		Customers					
Amortised cost	Banks $million	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Central & other items $million	Customer Total $million	Undrawn commitments $million	Financial Guarantees $million
Stage 1	15,882	45,659	11,612	2,489	59,760	61,792	34,709
– Strong	8,566	28,908	9,767	2,412	41,087	52,276	24,136
– Satisfactory	7,316	16,751	1,845	77	18,673	9,516	10,573
Stage 2	247	9,194	491	110	9,795	4,886	2,047
– Strong	81	1,609	271	–	1,880	1,144	512
– Satisfactory	38	6,750	94	–	6,844	3,006	1,045
– Higher risk	128	835	126	110	1,071	736	490
Of which (stage 2):							
– Less than 30 days past due	–	69	94	–	163	–	–
– More than 30 days past due	–	36	126	–	162	–	–
Stage 3, credit-impaired financial assets	–	4,353	666	–	5,019	–	709
Gross balance[1]	16,129	59,206	12,769	2,599	74,574	66,678	37,465
Stage 1	(9)	(30)	(121)	–	(151)	(9)	(9)
– Strong	(3)	(13)	(63)	–	(76)	(5)	(4)
– Satisfactory	(6)	(17)	(58)	–	(75)	(4)	(5)
Stage 2	(3)	(178)	(57)	–	(235)	(35)	(17)
– Strong	(2)	(4)	(22)	–	(26)	(2)	–
– Satisfactory	(1)	(115)	(11)	–	(126)	(28)	(7)
– Higher risk	–	(59)	(24)	–	(83)	(5)	(10)
Of which (stage 2):							
– Less than 30 days past due	–	(2)	(11)	–	(13)	–	–
– More than 30 days past due	–	–	(24)	–	(24)	–	–
Stage 3, credit-impaired financial assets	–	(2,637)	(390)	–	(3,027)	–	(175)
Total credit impairment	(12)	(2,845)	(568)	–	(3,413)	(44)	(201)
Net carrying value	16,117	56,361	12,201	2,599	71,161		
Stage 1	0.1%	0.1%	1.0%	0.0%	0.3%	0.0%	0.0%
– Strong	0.0%	0.0%	0.6%	0.0%	0.2%	0.0%	0.0%
– Satisfactory	0.1%	0.1%	3.1%	0.0%	0.4%	0.0%	0.0%
Stage 2	1.2%	1.9%	11.6%	0.0%	2.4%	0.7%	0.8%
– Strong	2.5%	0.2%	8.1%	0.0%	1.4%	0.2%	0.0%
– Satisfactory	2.6%	1.7%	11.7%	0.0%	1.8%	0.9%	0.7%
– Higher risk	0.0%	7.1%	19.0%	0.0%	7.7%	0.7%	2.0%
Of which (stage 2):							
– Less than 30 days past due	0.0%	2.9%	11.7%	0.0%	8.0%	0.0%	0.0%
– More than 30 days past due	0.0%	0.0%	19.0%	0.0%	14.8%	0.0%	0.0%
Stage 3, credit-impaired financial assets (S3)	0.0%	60.6%	58.6%	0.0%	60.3%	0.0%	24.7%
Cover ratio	0.1%	4.8%	4.4%	0.0%	4.6%	0.1%	0.5%
Fair value through profit or loss							
Performing	21,950	60,672	–	1,774	62,446	–	–
– Strong	19,543	46,971	–	1,772	48,743	–	–
– Satisfactory	2,407	13,701	–	2	13,703	–	–
– Higher risk	–	–	–	–	–	–	–
Defaulted (CG13-14)	–	36	–	–	36	–	–
Gross balance (FVTPL)[2]	21,950	60,708	–	1,774	62,482	–	–
Net carrying value (incl FVTPL)	38,067	117,069	12,201	4,373	133,643	–	–

1 Loans and advances include reverse repurchase agreements and other similar secured lending for $3,047 million under Customers and for $438 million under Banks, held at amortised cost

2 Loans and advances include reverse repurchase agreements and other similar secured lending for $59,275 million under Customers and for $18,380 million under Banks, held at fair value through profit or loss

Company

Amortised cost	Banks $million	Corporate, Commercial & Institutional Banking[3] $million	Consumer, Private & Business Banking[3] $million	Central & other items $million	Customer Total $million	Undrawn commitments $million	Financial Guarantees $million
	2020 (Restated)						
		Customers					
Stage 1	14,829	46,565	11,382	2,305	60,252	64,701	33,037
– Strong[4]	9,792	27,809	9,155	2,059	39,023	52,927	20,668
– Satisfactory[4]	5,037	18,756	2,227	246	21,229	11,774	12,369
Stage 2	174	10,280	611	–	10,891	5,188	2,422
– Strong	27	1,303	360	–	1,663	1,567	75
– Satisfactory	126	7,301	79	–	7,380	3,303	1,787
– Higher risk	21	1,676	172	–	1,848	318	560
Of which (stage 2):							
– Less than 30 days past due	–	122	77	–	199	–	–
– More than 30 days past due	5	71	182	–	253	–	–
Stage 3, credit-impaired financial assets	–	5,290	703	–	5,993	1	683
Gross balance[1]	15,003	62,135	12,696	2,305	77,136	69,890	36,142
Stage 1	(5)	(43)	(145)	–	(188)	(15)	(10)
– Strong	(2)	(16)	(102)	–	(118)	(7)	(6)
– Satisfactory	(3)	(27)	(43)	–	(70)	(8)	(4)
Stage 2	(1)	(300)	(87)	–	(387)	(61)	(17)
– Strong	–	(24)	(58)	–	(82)	(1)	(1)
– Satisfactory	(1)	(157)	(7)	–	(164)	(33)	(14)
– Higher risk	–	(119)	(22)	–	(141)	(27)	(2)
Of which (stage 2):							
– Less than 30 days past due	–	–	(7)	–	(7)	–	–
– More than 30 days past due	–	(2)	(22)	–	(24)	–	–
Stage 3, credit-impaired financial assets	–	(3,244)	(348)	–	(3,592)	–	(191)
Total credit impairment	(6)	(3,587)	(580)	–	(4,167)	(76)	(218)
Net carrying value	14,997	58,548	12,116	2,305	72,969	–	–
Stage 1	0.0%	0.1%	1.3%	0.0%	0.3%	0.0%	0.0%
– Strong	0.0%	0.1%	1.1%	0.0%	0.3%	0.0%	0.0%
– Satisfactory	0.1%	0.1%	1.9%	0.0%	0.3%	0.1%	0.0%
Stage 2	0.6%	2.9%	14.2%	0.0%	3.6%	1.2%	0.7%
– Strong	0.0%	1.8%	16.1%	0.0%	4.9%	0.1%	1.3%
– Satisfactory	0.8%	2.2%	8.9%	0.0%	2.2%	1.0%	0.8%
– Higher risk	0.0%	7.1%	12.8%	0.0%	7.6%	8.5%	0.4%
Of which (stage 2):							
– Less than 30 days past due	0.0%	0.0%	9.1%	0.0%	3.5%	0.0%	0.0%
– More than 30 days past due	0.0%	2.8%	12.1%	0.0%	9.5%	0.0%	0.0%
Stage 3, credit-impaired financial assets (S3)	0.0%	61.3%	49.5%	0.0%	59.9%	0.0%	28.0%
Cover ratio	0.0%	5.8%	4.6%	0.0%	5.4%	0.1%	0.6%
Fair value through profit or loss							
Performing	20,654	46,911	–	12	46,923	–	–
– Strong	16,723	24,202	–	8	24,210	–	–
– Satisfactory	3,931	22,627	–	4	22,631	–	–
– Higher risk	–	82	–	–	82	–	–
Defaulted (CG13-14)	–	37	–	–	37	–	–
Gross balance (FVTPL)[2]	20,654	46,948	–	12	46,960	–	–
Net carrying value (incl FVTPL)	35,651	105,496	12,116	2,317	119,929	–	–

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

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $44,379 million under Customers and of $17,883 million under Banks, held at fair value through profit and loss

3 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking; Private Banking and Retail Banking to Consumer, Private & Business Banking. Prior period has been restated.

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

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

Methodology

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

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

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

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

Movements during the year

Stage 1 gross exposures increased by $30 billion to $396 billion when compared with 31 December 2020. About half of the increase in exposures was in debt securities. Corporate, Commercial & Institutional Banking increased by $8 billion from new originations and transfers from stage 2. There was a $6 billion increase in Consumer, Private & Business Banking which was mainly driven by new originations in mortgage and secured wealth products.

Total stage 1 provisions decreased by $60 million to $370 million, primarily in Consumer, Private & Business Banking unsecured lending, due to an improvement in macroeconomic forecasts and remeasurement of balances from upgrades into stage 1. Corporate, Commercial & Institutional Banking provisions declined by $19 million primarily due to improvement in probability of default.

Stage 2 gross exposures decreased by $2 billion to $28 billion, primarily driven by $3 billion of net outflows from exposure changes and transfers to stage 1 in Corporate, Commercial & Institutional Banking, particularly in the Manufacturing and Commercial real estate sectors. Consumer, Private & Business Banking exposures decreased by $0.7 billion, of which $0.4 billion was from the secured portfolio and $0.3 billion was from unsecured portfolios. Debt securities increased by $1.8 billion mainly due to the Sri Lanka sovereign downgrade.

Stage 2 provisions decreased by $245 million compared to 31 December 2020, $192 million of which was in Corporate, Commercial & Institutional Banking as a result of exposure changes and transfers to stage 1, repayment of exposures and a net reduction of $81 million in judgemental management overlays (which are reported in 'Changes in risk parameters' in the table) as early alert balances fell. Consumer, Private & Business Banking provisions decreased by $70 million, mainly in unsecured lending from improvement in macroeconomic forecasts, lower delinquencies as conditions normalised in a number of our markets and decline in judgemental management overlays of $31 million.

Stage 3 exposures decreased by $1.3 billion to $7.9 billion, primarily in Corporate, Commercial & Institutional Banking driven by repayments and write-offs. Stage 3 provisions also decreased by $0.7 billion to $4.5 billion, also due to repayments and write-offs.

All segments – Group (audited)

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

All segments – Group (audited) continued

Amortised cost and FVOCI	Stage 1 Gross balance[7] $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance[7] $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance[7] $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance[7] $million	Total Total credit impairment $million	Total Net $million
As at 1 January 2021	365,589	(430)	365,159	29,832	(746)	29,086	9,168	(5,219)	3,949	404,589	(6,395)	398,194
Transfers to stage 1	18,004	(452)	17,552	(17,956)	452	(17,504)	(48)	–	(48)	–	–	–
Transfers to stage 2	(40,145)	145	(40,000)	40,465	(154)	40,311	(320)	9	(311)	–	–	–
Transfers to stage 3	(126)	1	(125)	(2,166)	216	(1,950)	2,292	(217)	2,075	–	–	–
Net change in exposures[5]	60,165	(87)	60,078	(22,135)	99	(22,036)	(2,180)	617	(1,563)	35,850	629	36,479
Net remeasurement from stage changes	–	46	46	–	(129)	(129)	–	(99)	(99)	–	(182)	(182)
Changes in risk parameters	–	51	51	–	98	98	–	(752)	(752)	–	(603)	(603)
Write-offs	–	–	–	–	–	–	(957)	957	–	(957)	957	–
Interest due but unpaid	–	–	–	–	–	–	(187)	187	–	(187)	187	–
Discount unwind[6]	–	–	–	–	–	–	–	211	211	–	211	211
Exchange translation differences and other movements[1]	(7,639)	356	(7,283)	(385)	(337)	(722)	114	(193)	(79)	(7,910)	(174)	(8,084)
As at 31 December 2021[2]	395,848	(370)	395,478	27,655	(501)	27,154	7,882	(4,499)	3,383	431,385	(5,370)	426,015
Income statement ECL (charge)/release[3]		10			68			(234)			(156)	
Recoveries of amounts previously written off		–			–			186			186	
Total credit impairment (charge)/release[4]		10			68			(48)			30	

1 Includes fair value adjustments and amortisation on debt securities
2 Excludes Cash and balances at central banks, Accrued income, Assets held for sale and Other assets
3 Does not include $Nil (31 December 2020: $2 million release) relating to Other assets
4 Statutory basis
5 Stage 3 gross includes $33 million (31 December 2020: $38 million) originated credit-impaired debt securities
6 Includes $163 million adjustment in relation to interest earned on impaired assets
7 The gross balance includes the notional amount of off balance sheet instruments

Of which movement of debt securities, alternative Tier 1 and other eligible bills (audited)

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

Of which movement of debt securities, alternative Tier 1 and other eligible bills (audited) continued

Amortised cost and FVOCI	Stage 1 Gross balance $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance $million	Total Total credit impairment $million	Total Net[3] $million
As at 1 January 2021	82,230	(50)	82,180	3,488	(26)	3,462	114	(58)	56	85,832	(134)	85,698
Transfers to stage 1	403	(11)	392	(403)	11	(392)	–	–	–	–	–	–
Transfers to stage 2	(2,358)	16	(2,342)	2,358	(16)	2,342	–	–	–	–	–	–
Transfers to stage 3	–	–	–	–	–	–	–	–	–	–	–	–
Net change in exposures[2]	18,789	(42)	18,747	(136)	(18)	(154)	–	1	1	18,653	(59)	18,594
Net remeasurement from stage changes	–	13	13	–	(26)	(26)	–	–	–	–	(13)	(13)
Changes in risk parameters	–	18	18	–	34	34	–	(3)	(3)	–	49	49
Write-offs	–	–	–	–	–	–	–	–	–	–	–	–
Interest due but unpaid	–	–	–	–	–	–	–	–	–	–	–	–
Exchange translation differences and other movements[1]	(2,714)	(2)	(2,716)	8	(1)	7	(1)	(6)	(7)	(2,707)	(9)	(2,716)
As at 31 December 2021	96,350	(58)	96,292	5,315	(42)	5,273	113	(66)	47	101,778	(166)	101,612
Income statement ECL (charge)/release		(11)			(10)			(2)			(23)	
Recoveries of amounts previously written off		–			–			–			–	
Total credit impairment (charge)/release		(11)			(10)			(2)			(23)	

1 Includes fair value adjustments and amortisation on debt securities

2 Stage 3 gross includes $33 million (31 December 2020: $38 million) originated credit-impaired debt securities

3 FVOCI instruments are not presented net of ECL. While the presentation is on a net basis for the table, the total net on-balance sheet amount is $101,705 million (31 December 2020: $85,759 million). Refer to the Analysis of financial instrument by stage table on page 63

All segments – Company (audited)

Amortised cost and FVOCI	Stage 1 Gross balance[7] $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance[7] $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance[7] $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance[7] $million	Total Total credit impairment $million	Total Net $million
As at 1 January 2020	245,350	(176)	245,174	16,893	(181)	16,712	5,838	(3,924)	1,914	268,081	(4,281)	263,800
Transfers to stage 1	21,378	(229)	21,149	(21,338)	229	(21,109)	(40)	–	(40)	–	–	–
Transfers to stage 2	(41,156)	142	(41,014)	41,215	(143)	41,072	(59)	1	(58)	–	–	–
Transfers to stage 3	(150)	1	(149)	(2,683)	112	(2,571)	2,833	(113)	2,720	–	–	–
Net change in exposures	15,439	(25)	15,414	(14,878)	68	(14,810)	(962)	125	(837)	(401)	168	(233)
Net remeasurement from stage changes	–	50	50	–	(121)	(121)	–	(209)	(209)	–	(280)	(280)
Changes in risk parameters	–	6	6	–	(418)	(418)	–	(436)	(436)	–	(848)	(848)
Write-offs	–	–	–	–	–	–	(1,018)	1,018	–	(1,018)	1,018	–
Interest due but unpaid	–	–	–	–	–	–	185	(185)	–	185	(185)	–
Discount unwind	–	–	–	–	–	–	–	46	46	–	46	46
Exchange translation differences and other movements[1]	700	(6)	694	1,549	(22)	1,527	(16)	(135)	(151)	2,233	(163)	2,070
As at 31 December 2020[2]	241,561	(237)	241,324	20,758	(476)	20,282	6,761	(3,812)	2,949	269,080	(4,525)	264,555
Income statement ECL (charge)/release		31			(471)			(520)			(960)	
Recoveries of amounts previously written off		–			–			69			69	
Total credit impairment (charge)/release		31			(471)			(451)			(891)	

All segments – Company (audited) continued

Amortised cost and FVOCI	Stage 1 Gross balance[7] $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance[7] $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance[7] $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance[7] $million	Total Total credit impairment $million	Total Net $million
As at 1 January 2021	241,561	(237)	241,324	20,758	(476)	20,282	6,761	(3,812)	2,949	269,080	(4,525)	264,555
Transfers to stage 1	13,549	(223)	13,326	(13,501)	223	(13,278)	(48)	–	(48)	–	–	–
Transfers to stage 2	(29,383)	47	(29,336)	29,594	(56)	29,538	(211)	9	(202)	–	–	–
Transfers to stage 3	(94)	1	(93)	(1,598)	171	(1,427)	1,692	(172)	1,520	–	–	–
Net change in exposures[4]	34,059	(56)	34,003	(14,441)	80	(14,361)	(1,611)	407	(1,204)	18,007	431	18,438
Net remeasurement from stage changes	–	14	14	–	(57)	(57)	–	(79)	(79)	–	(122)	(122)
Changes in risk parameters	–	18	18	–	93	93	–	(449)	(449)	–	(338)	(338)
Write-offs	–	–	–	–	–	–	(592)	592	–	(592)	592	–
Interest due but unpaid	–	–	–	–	–	–	(143)	143	–	(143)	143	–
Discount unwind[6]	–	–	–	–	–	–	–	170	170	–	170	170
Exchange translation differences and other movements[1]	(5,161)	226	(4,935)	(234)	(289)	(523)	(38)	(47)	(85)	(5,433)	(110)	(5,543)
As at 31 December 2021[2]	254,531	(210)	254,321	20,578	(311)	20,267	5,810	(3,238)	2,572	280,919	(3,759)	277,160
Income statement ECL (charge)/release		(24)			116			(121)			(29)	
Recoveries of amounts previously written off		–			–			67			67	
Total credit impairment (charge)/release[3]		(24)			116			(54)			38	

1 Includes fair value adjustments and amortisation on debt securities

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

3 Does not include $Nil (31 December 2020: $2 million release) relating to Other assets

4 Statutory basis

5 Stage 3 gross includes $33 million (31 December 2020: $38 million) originated credit-impaired debt securities

6 Includes $137 million adjustment in relation to interest earned on impaired assets

7 The gross balance includes the notional amount of off balance sheet instruments

Of which Movement of debt securities – Company (audited)

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

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

Amortised cost and FVOCI	Stage 1 Gross balance $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance $million	Total Total credit impairment $million	Total Net $million
As at 1 January 2021	68,742	(19)	68,723	2,083	(10)	2,073	84	(29)	55	70,909	(58)	70,851
Transfers to stage 1	265	(6)	259	(265)	6	(259)	–	–	–	–	–	–
Transfers to stage 2	(1,740)	5	(1,735)	1,740	(5)	1,735	–	–	–	–	–	–
Transfers to stage 3	–	–	–	–	–	–	–	–	–	–	–	–
Net change in exposures[2]	17,227	(25)	17,202	110	(1)	109	–	–	–	17,337	(26)	17,311
Net remeasurement from stage changes	–	4	4	–	(16)	(16)	–	–	–	–	(12)	(12)
Changes in risk parameters	–	19	19	–	(5)	(5)	–	(4)	(4)	–	10	10
Write-offs	–	–	–	–	–	–	–	–	–	–	–	–
Interest due but unpaid	–	–	–	–	–	–	–	–	–	–	–	–
Exchange translation differences and other movements[1]	(2,106)	(10)	(2,116)	(65)	10	(55)	(2)	(3)	(5)	(2,173)	(3)	(2,176)
As at 31 December 2021	82,388	(32)	82,356	3,603	(21)	3,582	82	(36)	46	86,073	(89)	85,984
Income statement ECL (charge)/release		(2)			(22)			(4)			(28)	
Recoveries of amounts previously written off		–			–			–			–	
Total credit impairment (charge)/release		(2)			(22)			(4)			(28)	

1 Includes fair value adjustments and amortisation on debt securities

2 Stage 3 gross includes $33 million (31 December 2020: $38 million) originated credit-impaired debt securities

3 FVOCI instrument are not presented net of ECL. While the presentation is on a net basis for the table, the total net on-balance sheet amount is $86,028 million (31 December 2020: $70,872 million). Refer to the Analysis of financial instrument by stage table on page 65

Credit impairment charge (audited)

The underlying credit impairment charge is a release of $28 million compared to a charge of $1.9 billion in 2020.

Stage 3 is charge of $48 million mainly driven by charge-offs in Consumer, Private & Business Banking of $192 million in Bangladesh, Malaysia and India. This is offset by release of $144 million in Corporate, Commercial & Institutional Banking from client repayments during the year.

Stage 1 & 2 is release of $76 million with release of $74 million in Corporate, Commercial & Institutional Banking, release of $23 million in Consumer, Private & Business Banking and charge of $21 million in Central and other items.

Corporate, Commercial & Institutional Banking stage 1 and 2 release is due to reduction in management overlay $81 million, repayments, decline in stage 2 exposures and improvement in probability of defaults offset by charge from multiple economic scenarios post model adjustment of $25 million and macroeconomic variables charge of $9 million.

Consumer, Private & Business Banking stage 1 and 2 impairments reduced to a release of $23 million at the end of 2021 (2020: $316 milion) mainly due to ECL reversals as the forward looking macroeconomic outlook improved in relative terms.

Central and other items charge of $21 million is mainly due to multiple economic scenarios post model adjustment

	2021			2020 (Restated)		
	Stage 1 & 2 $million	Stage 3 $million	Total $million	Stage 1 & 2 $million	Stage 3 $million	Total $million
Ongoing business portfolio						
Corporate, Commercial & Institutional Banking[1]	(74)	(144)	(218)	343	1,058	1,401
Consumer, Private & Business Banking[1]	(23)	192	169	316	208	524
Central & other items	21	–	21	27	(5)	22
Credit impairment charge/(release)	(76)	48	(28)	686	1,261	1,947
Restructuring business portfolio						
Others[2]	(2)	–	(2)	2	27	29
Credit impairment charge/(release)	(2)	–	(2)	2	27	29
Total credit impairment charge/(release)	(78)	48	(30)	688	1,288	1,976

1 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking; Private Banking and Retail Banking to Consumer, Private & Business Banking. Further, certain clients have been moved between the two new client segments. Prior period has been restated

2 There was a net ($2) million impairment release (31 December 2020: $29 million) from the Group's discontinued businesses

COVID-19 relief measures

COVID-19 payment-related relief measures have been in place across most of our markets during 2020 and 2021, particularly focused on Consumer, Private & Business Banking customers. Measures in most markets have now expired, although moratoria schemes in certain Africa & Middle East countries have been extended to 30 June 2022.

These schemes are generally initiated by country regulators and governments. These measures include principal and/or interest moratoria and term extensions and are generally available to eligible borrowers (those that are current or less than 30 days past due, unless local regulators have specified different criteria). Certain schemes may be restricted to those in industries significantly impacted by COVID-19, such as aviation or consumer services, but are not borrower-specific in nature.

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

In most major Consumer, Private & Business Banking markets, the initial period of relief provided was between 6 and 12 months. In some smaller markets, the initial period of relief was for 3 months.

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

Assessment for expected credit losses

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

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

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

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

Impact from temporary changes to loan contractual terms

Approximately $1.3 billion of outstanding loan balances have been subject to payment relief measures. This represents 0.4 per cent of the Group's gross loans and advances to banks and customers.

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

The table below sets out the extent to which payment reliefs are in place across the Group's loan portfolio based on the amounts outstanding at 31 December 2021.

The total exposure of the Consumer, Private & Business Banking portfolio under moratoria is $1.0 billion, of which $0.5 billion (50 per cent) is from residential mortgage. A large part of moratoria has ended with the remaining balance primarily concentrated in Asia, which are largely secured. 30 per cent of the total amounts approved are to Business Banking customers, concentrated in industries that have been materially disrupted, of which over 79 per cent is collateralised by commercial immovable property.

In Corporate, Commercial & Institutional Banking, around 64 per cent of the amounts approved are for tenor extensions of 90 days or less. Around 17 per cent of the reliefs granted are to clients in vulnerable sectors.

	Total		Asia		Africa & Middle East[1]		Europe & Americas
Segment/Product	**Outstanding $ million**	**% of portfolio[2]**	**Outstanding $ million**	**% of portfolio[2]**	**Outstanding $ million**	**% of portfolio[2]**	**Outstanding $ million**
Credit Cards & Personal Loans	205	3.2%	62	1.7%	143	7.7%	
Mortgages & Auto	521	2.1%	511	2.6%	10	0.6%	
Business Banking	304	7.0%	304	7.2%	–	0.0%	
Total Consumer, Private & Business Banking	**1,030**	**1.0%**	**877**	**2.7%**	**153**	**3.1%**	
Corporate, Commercial & Institutional Banking	**445**	**0.3%**	**322**		**113**		**10**
Total at 31 December 2021	**1,475**	**0.4%**	**1,199**		**266**		**10**
Total Consumer, Private & Business Banking	1,720	3.9%	1,554		166		
Corporate, Commercial & Institutional Banking	882	0.7%	433		429		20
Total at 31 December 2020	2,602	1.5%	1,987		595		20

1 Bahrain's moratoria scheme expired on 31 December 2021. The scheme has been further extended to 30 June 2022 on an opt-in basis. Amount includes $151 million of customers who were under moratoria schemes that expired on 31 December 2021 have opted to continue under the extended scheme up to 31 January 2022.

2 Percentage of portfolio represents the outstanding amount at 31 December 2021 as a percentage of the gross loans and advances to banks and customers by product and segment and total loans and advances to banks and customers at 31 December 2021 and 2020.

Problem credit management and provisioning

Forborne and other modified loans by client segment (audited)

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

Net forborne loans decreased by $481 million compared with 31 December 2020, $718 million of which was in performing forborne loans offset by an increase of $236 million in non-performing forborne. For net performing forborne loans, just over half of the total decrease in forborne loans was in Corporate, Commercial & Institutional Banking primarily driven by cures out of performing forborne loans, with the remainder of the decrease due to lower performing forborne loans in Consumer, Private & Business Banking mainly driven by one big ticket sized account in Private Banking which was fully repaid.

The table below presents loans with forbearance measures by segment.

Group

	2021			2020 (Restated)		
Amortised cost	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Total $million	Corporate, Commercial & Institutional Banking[3] $million	Consumer, Private & Business Banking[3] $million	Total $million
All loans with forbearance measures	2,334	271	2,605	2,685	521	3,206
Credit impairment (stage 1 and 2)	(4)	–	(4)	(3)	(1)	(4)
Credit impairment (stage 3)	(1,159)	(126)	(1,285)	(1,294)	(111)	(1,405)
Net carrying value	1,171	145	1,316	1,388	409	1,797
Included within the above table						
Gross performing forborne loans	238	53	291	676	334	1,010
Modification of terms and conditions[1]	238	53	291	674	334	1,008
Refinancing[2]	–	–	–	2	–	2
Impairment provisions	(3)	–	(3)	(3)	(1)	(4)
Modification of terms and conditions[1]	(3)	–	(3)	(3)	(1)	(4)
Refinancing[2]	–	–	–	–	–	–
Net performing forborne loans	235	53	288	673	333	1,006
Collateral	36	56	92	315	23	338
Gross non-performing forborne loans	2,095	218	2,313	2,009	187	2,196
Modification of terms and conditions[1]	1,937	218	2,155	1,841	187	2,028
Refinancing[2]	158	–	158	168	–	168
Impairment provisions	(1,159)	(126)	(1,285)	(1,294)	(111)	(1,405)
Modification of terms and conditions[1]	(1,028)	(126)	(1,154)	(1,164)	(111)	(1,275)
Refinancing[2]	(131)	–	(131)	(130)	–	(130)
Net non-performing forborne loans	936	92	1,028	715	76	791
Collateral	208	53	261	261	35	296

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

3 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking; Private Banking and Retail Banking to Consumer, Private & Business Banking. Prior period has been restated.

Company

Amortised cost	2021 Corporate, Commercial & Institutional Banking $million	2021 Consumer, Private & Business Banking $million	2021 Total $million	2020 (Restated) Corporate, Commercial & Institutional Banking[3] $million	2020 (Restated) Consumer, Private & Business Banking[3] $million	2020 (Restated) Total $million
All loans with forbearance measures	1,630	34	1,664	1,962	328	2,290
Credit impairment (stage 1 and 2)	(2)	–	(2)	(1)	(1)	(2)
Credit impairment (stage 3)	(789)	(2)	(791)	(892)	(7)	(899)
Net carrying value	839	32	871	1,069	320	1,389
Included within the above table						
Gross performing forborne loans	164	18	182	618	314	932
Modification of terms and conditions[1]	164	18	182	618	314	932
Refinancing[2]	–	–	–	–	–	–
Impairment provisions	(2)	–	(2)	(1)	–	(1)
Modification of terms and conditions1	(2)	–	(2)	(1)	–	(1)
Refinancing[2]	–	–	–	–	–	–
Net performing forborne loans	162	18	180	617	314	931
Collateral	32	18	50	296	3	299
Gross non-performing forborne loans	1,466	16	1,482	1,344	14	1,358
Modification of terms and conditions[1]	1,313	16	1,329	1,182	14	1,196
Refinancing[2]	153	–	153	162	–	162
Impairment provisions	(789)	(2)	(791)	(892)	(6)	(898)
Modification of terms and conditions[1]	(662)	(2)	(664)	(766)	(6)	(772)
Refinancing[2]	(127)	–	(127)	(126)	–	(126)
Net non-performing forborne loans	677	14	691	452	8	460
Collateral	130	13	143	175	8	183

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

3 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking; Private Banking and Retail Banking to Consumer, Private & Business Banking. Prior period has been restated.

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

Gross Stage 3 loans for the Group decreased by $1.3 billion from $8.3 billion in 2020 to $6.9 billion in 2021 primarily driven by repayments in Asian and South Asia region in Corporate, Commercial & Institutional Banking. Corporate, Commercial & Institutional Banking stage 3 loans decreased $1.4 billion from $7.1 billion to $5.8 billion.

Consumer, Private & Business Banking stage 3 loans remained broadly stable at $1.2 billion

Stage 3 cover ratio (audited)

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

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

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

The Corporate, Commercial & Institutional Banking cover ratio remains broadly stable at 62 per cent as coverage reduced from repayments offset by write-offs and new downgrades. Cover ratio after collateral remained stable at 74 per cent.

The Consumer, Private & Business Banking cover ratio improved by 7 per cent to 56 per cent as a new provision was taken on a Business Banking client. Cover Ratio after collateral increased by 2 per cent to 97 per cent due to additional stage 3 provisions.

Group

Amortised cost	2021 Corporate, Commercial & Institutional Banking $million	2021 Consumer, Private & Business Banking $million	2021 Total $million	2020 (Restated) Corporate, Commercial & Institutional Banking[1] $million	2020 (Restated) Consumer, Private & Business Banking[1] $million	2020 (Restated) Total $million
Gross credit-impaired	5,750	1,191	6,941	7,110	1,179	8,289
Credit impairment provisions	(3,563)	(663)	(4,226)	(4,389)	(578)	(4,967)
Net credit-impaired	2,187	528	2,715	2,721	601	3,322
Cover ratio	62%	56%	61%	62%	49%	60%
Collateral ($ million)	700	487	1,187	879	539	1,418
Cover ratio (after collateral)	74%	97%	78%	74%	95%	77%

1 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking; Private Banking and Retail Banking to Consumer, Private & Business Banking. Prior period has been restated.

Company

Amortised cost	2021 Corporate, Commercial & Institutional Banking $million	2021 Consumer, Private & Business Banking $million	2021 Total $million	2020 (Restated) Corporate, Commercial & Institutional Banking[1] $million	2020 (Restated) Consumer, Private & Business Banking[1] $million	2020 (Restated) Total $million
Gross credit-impaired	4,353	666	5,019	5,290	703	5,993
Credit impairment provisions	(2,637)	(390)	(3,027)	(3,244)	(348)	(3,592)
Net credit-impaired	1,716	276	1,992	2,046	355	2,401
Cover ratio	61%	59%	60%	61%	50%	60%
Collateral ($ million)	479	241	720	592	342	934
Cover ratio (after collateral)	72%	95%	75%	73%	98%	76%

1 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking; Private Banking and Retail Banking to Consumer, Private & Business Banking. Prior period has been restated.

Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting arrangements, credit insurance and credit derivatives, taking into account expected volatility and guarantees.

The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor.

Collateral (audited)

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

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

Collateral held on loans and advances (audited)

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

Group

	2021								
	Net amount outstanding			Collateral			Net exposure		
Amortised cost	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets $million	Total[2] $million	Stage 2 financial assets $million	Credit-impaired financial assets $million	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets $million
Corporate, Commercial & Institutional Banking[1]	109,766	11,720	2,218	18,463	3,479	700	91,303	8,241	1,518
Consumer, Private & Business Banking	46,048	1,087	528	27,322	707	487	18,726	380	41
Central & other items	18,984	110	–	2,814	–	–	16,170	110	–
Total	**174,798**	**12,917**	**2,746**	**48,599**	**4,186**	**1,187**	**126,199**	**8,731**	**1,559**

	2020 (Restated)								
	Net amount outstanding			Collateral			Net exposure		
Amortised cost	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets $million	Total[2] $million	Stage 2 financial assets $million	Credit-impaired financial assets $million	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets $million
Corporate, Commercial & Institutional Banking[1,3]	108,513	13,637	2,721	18,214	4,509	879	90,299	9,128	1,842
Consumer, Private & Business Banking[3]	42,560	1,670	601	26,883	1,101	539	15,677	569	62
Central & other items	17,454	–	–	2,053	–	–	15,401	–	–
Total	168,527	15,307	3,322	47,150	5,610	1,418	121,377	9,697	1,904

1 Includes loans and advances to banks

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

3 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking; Private Banking and Retail Banking to Consumer, Private & Business Banking. Prior period has been restated

Company

Amortised cost	2021								
	Net amount outstanding			Collateral			Net exposure		
	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets $million	Total[2] $million	Stage 2 financial assets $million	Credit-impaired financial assets $million	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets $million
Corporate, Commercial & Institutional Banking[1]	72,478	9,260	1,716	12,892	2,840	479	59,586	6,420	1,237
Consumer, Private & Business Banking	12,201	434	276	5,913	295	241	6,288	139	35
Central & other items	2,599	110	–	2,087	–	–	512	110	–
Total	87,278	9,804	1,992	20,892	3,135	720	66,386	6,669	1,272

Amortised cost	2020 (Restated)								
	Net amount outstanding			Collateral			Net exposure		
	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets $million	Total[2] $million	Stage 2 financial assets $million	Credit-impaired financial assets $million	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets $million
Corporate, Commercial & Institutional Banking[1,3]	73,545	10,153	2,046	12,969	3,416	592	60,576	6,737	1,454
Consumer, Private & Business Banking[3]	12,116	524	355	7,132	428	342	4,984	96	13
Central & other items	2,305	–	–	1,350	–	–	955	–	–
Total	87,966	10,677	2,401	21,451	3,844	934	66,515	6,833	1,467

1 Includes loans and advances to banks

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

3 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking; Private Banking and Retail Banking to Consumer, Private & Business Banking. Prior period has been restated

Collateral – Corporate, Commercial & Institutional Banking (audited)

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

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

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

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

Group

Corporate, Commercial & Institutional Banking (restated[2])

Amortised cost	2021 $million	2020 $million
Maximum exposure	109,766	108,513
Property	4,004	5,660
Plant, machinery and other stock	1,331	1,559
Cash	2,595	1,686
Reverse repos	1,920	1,734
A- to AA+	–	–
BBB- to BBB+	483	742
Unrated	1,437	992
Financial guarantees and insurance	5,513	4,354
Commodities	36	46
Ships and aircraft	3,064	3,175
Total value of collateral[1]	18,463	18,214
Net exposure	91,303	90,299

Company

Corporate, Commercial & Institutional Banking (restated[2])

Amortised cost	2021 $million	2020 $million
Maximum exposure	72,478	73,545
Property	2,253	3,639
Plant, machinery and other stock	876	1,073
Cash	1,979	1,224
Reverse repos	1,387	974
A- to AA+	–	–
BBB- to BBB+	2	1
Unrated	1,385	973
Financial guarantees and insurance	4,327	3,991
Commodities	35	45
Ships and aircraft	2,035	2,023
Total value of collateral[1]	12,892	12,969
Net exposure	59,586	60,576

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

2 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking Prior period has been restated

Group

Collateral – Consumer, Private & Business Banking (audited)

In Consumer, Private & Business Banking, the portfolio remains stable with 84 per cent of the portfolio is fully secured, 2 per cent partially secured and the remaining 14 per cent is unsecured.

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

	2021				2020			
Amortised cost	Fully secured $million	Partially secured $million	Unsecured $million	Total $million	Fully secured $million	Partially secured $million	Unsecured $million	Total $million
Maximum exposure	**38,916**	**856**	**6,276**	**46,048**	36,251	444	5,865	42,560
Loans to individuals								
Mortgages	**23,915**	**–**	**–**	**23,915**	22,914	–	–	22,914
CCPL	**148**	**–**	**5,738**	**5,886**	142	–	5,766	5,908
Auto	**542**	**–**	**–**	**542**	536	–	–	536
Secured wealth products	**14,196**	**–**	**–**	**14,196**	12,550	–	–	12,550
Other	**115**	**856**	**538**	**1,509**	109	444	99	652
Total collateral[1]				**27,322**				26,883
Net exposure[2]				**18,726**				15,677
Percentage of total loans	**84%**	**2%**	**14%**		85%	1%	14%	

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

2 Amounts net of ECL

Company

Collateral – Consumer, Private & Business Banking (audited)

In Consumer, Private & Business Banking, the portfolio remains stable with 72 per cent of the portfolio is fully secured, 7 per cent partially secured and the remaining 21 per cent is unsecured.

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

	2021				2020			
Amortised cost	Fully secured $million	Partially secured $million	Unsecured $million	Total $million	Fully secured $million	Partially secured $million	Unsecured $million	Total $million
Maximum exposure	**8,781**	**841**	**2,579**	**12,201**	9,469	444	2,203	12,116
Loans to individuals								
Mortgages	**4,802**	**–**	**–**	**4,802**	5,377	–	–	5,377
CCPL	**148**	**–**	**2,229**	**2,377**	143	–	2,184	2,327
Auto	**38**	**–**	**–**	**38**	58	–	–	58
Secured wealth products	**3,786**	**–**	**–**	**3,786**	3,891	–	–	3,891
Other	**7**	**841**	**350**	**1,198**	–	444	19	463
Total collateral[1]				**5,913**				7,132
Net exposure[2]				**6,288**				4,984
Percentage of total loans	**72%**	**7%**	**21%**		78%	4%	18%	

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

2 Amounts net of ECL

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

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

In mortgages, the value of property held as security significantly exceeds the value of mortgage loans. The average LTV of the overall mortgage portfolio is low at 46.5 per cent. Singapore, which represents 65 per cent of the mortgage portfolio as at 31 December 2021 has an average LTV of 43.2 per cent.

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

	2021			
Amortised cost	**Asia % Gross**	**Africa & Middle East % Gross**	**Europe & Americas % Gross**	**Total % Gross**
Less than 50 per cent	**43.9**	**27.6**	**16.8**	**40.7**
50 per cent to 59 per cent	**20.3**	**18.6**	**19.9**	**20.3**
60 per cent to 69 per cent	**20.2**	**19.6**	**37.5**	**21.4**
70 per cent to 79 per cent	**12.5**	**16.5**	**17.1**	**13.1**
80 per cent to 89 per cent	**2.5**	**9.1**	**8.7**	**3.4**
90 per cent to 99 per cent	**0.4**	**4.8**	**–**	**0.7**
100 per cent and greater	**0.2**	**3.8**	**–**	**0.4**
Average portfolio loan-to-value	**44.3**	**61.9**	**60.8**	**46.5**
Loans to individuals – mortgages ($million)	**20,455**	**1,651**	**1,808**	**23,914**

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

1 Following the Group's change in organisational structure, there has been an integration of Greater China & North Asia and ASEAN & South Asia to Asia. Prior period has been restated

Collateral and other credit enhancements possessed or called upon

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

Certain equity securities acquired may be held by the Group for investment purposes and are classified as fair value through profit or loss, and the related loan written off. The carrying value of collateral possessed and held by the Group as at 31 December 2021 is $11.8 million (2020: $23.2 million).

	2021 $million	2020 $million
Property, plant and equipment	**5.8**	18.2
Guarantees	**6.0**	4.8
Other	**0.0**	0.2
Total	**11.8**	23.2

Other Credit Risk mitigation (audited)

Other forms of Credit Risk mitigation are set out below.

Credit default swaps

The Group has entered into credit default swaps for portfolio management purposes, referencing loan assets with a notional value of $12.1 billion (2020: $10.5 billion). These credit default swaps are accounted for as financial guarantees as per IFRS 9 as they will only reimburse the holder for an incurred loss on an underlying debt instrument. The Group continues to hold the underlying assets referenced in the credit default swaps and it continues to be exposed to related Credit and Foreign Exchange Risk on these assets.

Credit linked notes

The Group has issued credit linked notes for portfolio management purposes, referencing loan assets with a notional value of $10.0 billion (2020: $8.0 billion). The Group continues to hold the underlying assets for which the credit linked notes provide mitigation.

Derivative financial instruments

The Group enters into master netting agreements, which in the event of default result in a single amount owed by or to the counterparty through netting the sum of the positive and negative mark-to-market values of applicable derivative transactions. These are set out in more detail under Derivative financial instruments Credit Risk Mitigation (page 110).

Off-balance sheet exposures

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

Other portfolio analysis

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

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

Loans and advances to the Corporate, Commercial & Institutional Banking segments remain predominantly short-term, with 64 per cent (2020: 58 per cent) maturing in less than one year. 97 per cent (2020: 96 per cent) of loans to banks mature in less than one year. Shorter maturities give us the flexibility to respond promptly to events and rebalance or reduce our exposure to clients or sectors that are facing increased pressure or uncertainty.

The Consumer, Private & Business Banking loan book continues to be longer-term in nature with 49 per cent (2020: 51 per cent) of the loans maturing over five years, as mortgages constitute the majority of this portfolio.

Group

	2021			
Amortised cost	One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate, Commercial & Institutional Banking	53,449	20,973	9,220	83,642
Consumer, Private & Business Banking	18,702	5,471	22,873	47,046
Central & other items	18,758	222	4	18,984
Gross loans and advances to customers	90,909	26,666	32,097	149,672
Impairment provisions	(4,409)	(355)	(109)	(4,873)
Net loans and advances to customers	86,500	26,311	31,988	144,799
Net loans and advances to banks	29,060	785	154	29,999

	2020 (Restated)			
Amortised cost	One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate, Commercial & Institutional Banking[1]	49,878	25,158	10,699	85,735
Consumer, Private & Business Banking[1]	16,160	5,324	22,104	43,588
Central & other items	17,013	441	1	17,455
Gross loans and advances to customers	83,051	30,923	32,804	146,778
Impairment provisions	(5,191)	(608)	(118)	(5,917)
Net loans and advances to customers	77,860	30,315	32,686	140,861
Net loans and advances to banks	26,559	1,105	2	27,666

1 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking; Private Banking and Retail Banking to Consumer, Private & Business Banking. Prior period has been restated

Company

Amortised cost	2021 One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate, Commercial & Institutional Banking	36,691	14,561	7,954	59,206
Consumer, Private & Business Banking	5,840	3,045	3,884	12,769
Central & other items	2,598	–	1	2,599
Gross loans and advances to customers	45,129	17,606	11,839	74,574
Impairment provisions	(3,093)	(235)	(85)	(3,413)
Net loans and advances to customers	42,036	17,371	11,754	71,161
Net loans and advances to banks	15,321	642	154	16,117

Amortised cost	2020 (Restated) One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate, Commercial & Institutional Banking[1]	35,388	18,037	8,710	62,135
Consumer, Private & Business Banking[1]	5,592	2,858	4,246	12,696
Central & other items	2,055	250	–	2,305
Gross loans and advances to customers	43,035	21,145	12,956	77,136
Impairment provisions	(3,649)	(439)	(79)	(4,167)
Net loans and advances to customers	39,386	20,706	12,877	72,969
Net loans and advances to banks	14,052	943	2	14,997

1 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking; Private Banking and Retail Banking to Consumer, Private & Business Banking. Prior period has been restated

Credit quality by industry

Loans and advances

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

From an industry perspective, loans and advances increased by $2.9 billion compared with 31 December 2020, of which $3.5 billion increase is in Consumer, Private & Business Banking offset by $0.5 billion decrease in Corporate, Commercial & Institutional Banking.

In Stage 1, the increase in the corporate book is largely a $3 billion in lending to Manufacturing, Financing, insurance and non banking sector offset by Commercial real estate and Transport and telecom sectors. In Stage 2, the decrease of $2.2 billion is largely in Manufacturing and Commercial real estate due to exposure changes and upgrades to stage 1.

The Mortgage portfolio continues to be the largest portion of the Consumer, Private & Business Banking portfolio. Mortgages form 51 per cent and Secured wealth products form 31 per cent of total Consumer, Private & Business Banking portfolio. The increase of $3.5 billion in Consumer, Private & Business Banking is from Mortgages and secured wealth products with increase in stage 1 of $4 billion offset by reduction in stage 2 exposures of $0.7 billion.

Group

Amortised cost	Stage 1 Gross balance $million	Stage 1 Total credit impairment $million	Stage 1 Net carrying amount $million	Stage 2 Gross balance $million	Stage 2 Total credit impairment $million	Stage 2 Net carrying amount $million	Stage 3 Gross balance $million	Stage 3 Total credit impairment $million	Stage 3 Net carrying amount $million	Total Gross balance $million	Total Total credit impairment $million	Total Net carrying amount $million
	2021											
Industry:												
Energy	9,219	(14)	9,205	1,898	(71)	1,827	889	(629)	260	12,006	(714)	11,292
Manufacturing	10,837	(6)	10,831	788	(26)	762	757	(510)	247	12,382	(542)	11,840
Financing, insurance and non-banking	15,338	(6)	15,332	720	(11)	709	247	(206)	41	16,305	(223)	16,082
Transport, telecom and utilities	6,691	(3)	6,688	4,368	(47)	4,321	938	(282)	656	11,997	(332)	11,665
Food and household products	6,048	(7)	6,041	563	(26)	537	370	(266)	104	6,981	(299)	6,682
Commercial real estate	5,876	(8)	5,868	695	(10)	685	385	(211)	174	6,956	(229)	6,727
Mining and quarrying	2,887	(2)	2,885	419	(19)	400	261	(179)	82	3,567	(200)	3,367
Consumer durables	2,203	(2)	2,201	251	(8)	243	360	(323)	37	2,814	(333)	2,481
Construction	1,171	(1)	1,170	491	(19)	472	914	(624)	290	2,576	(644)	1,932
Trading companies & distributors	554	–	554	20	(6)	14	159	(131)	28	733	(137)	596
Government	21,663	(2)	21,661	624	(2)	622	155	(8)	147	22,442	(12)	22,430
Other	2,860	(3)	2,857	694	(13)	681	316	(194)	122	3,870	(210)	3,660
Retail Products:												
Mortgage	23,156	(19)	23,137	506	(19)	487	449	(159)	290	24,111	(197)	23,914
CCPL and other unsecured lending	5,678	(141)	5,537	373	(75)	298	244	(193)	51	6,295	(409)	5,886
Auto	541	(1)	540	2	–	2	–	–	–	543	(1)	542
Secured wealth products	13,821	(44)	13,777	254	(9)	245	441	(267)	174	14,516	(320)	14,196
Other	1,447	(7)	1,440	75	(20)	55	56	(44)	12	1,578	(71)	1,507
Total value (customers)[1]	129,990	(266)	129,724	12,741	(381)	12,360	6,941	(4,226)	2,715	149,672	(4,873)	144,799

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $3,764 million

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

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

Company

	2021											
	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	6,519	(13)	6,506	1,518	(61)	1,457	559	(339)	220	8,596	(413)	8,183
Manufacturing	5,929	(3)	5,926	583	(16)	567	628	(402)	226	7,140	(421)	6,719
Financing, insurance and non-banking	13,229	(4)	13,225	440	(1)	439	204	(167)	37	13,873	(172)	13,701
Transport, telecom and utilities	3,674	(1)	3,673	4,004	(43)	3,961	696	(152)	544	8,374	(196)	8,178
Food and household products	3,310	(2)	3,308	342	(13)	329	174	(152)	22	3,826	(167)	3,659
Commercial real estate	3,934	(2)	3,932	436	(5)	431	353	(205)	148	4,723	(212)	4,511
Mining and quarrying	2,133	(1)	2,132	296	(17)	279	160	(152)	8	2,589	(170)	2,419
Consumer durables	1,363	(1)	1,362	156	(3)	153	315	(280)	35	1,834	(284)	1,550
Construction	847	(1)	846	410	(6)	404	804	(547)	257	2,061	(554)	1,507
Trading companies & distributors	246	–	246	9	(5)	4	75	(74)	1	330	(79)	251
Government	4,993	(1)	4,992	615	(2)	613	155	(7)	148	5,763	(10)	5,753
Other	1,971	(1)	1,970	495	(6)	489	231	(159)	72	2,697	(166)	2,531
Retail Products:												
Mortgage	4,468	(7)	4,461	205	(16)	189	259	(107)	152	4,932	(130)	4,802
CCPL and other unsecured lending	2,336	(86)	2,250	161	(34)	127	38	(38)	–	2,535	(158)	2,377
Auto	37	–	37	1	–	1	–	–	–	38	–	38
Secured wealth products	3,601	(23)	3,578	94	(6)	88	354	(234)	120	4,049	(263)	3,786
Other	1,170	(5)	1,165	30	(1)	29	14	(12)	2	1,214	(18)	1,196
Total value (customers)[1]	59,760	(151)	59,609	9,795	(235)	9,560	5,019	(3,027)	1,992	74,574	(3,413)	71,161

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $3,047 million

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

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

Debt securities and other eligible bills (audited)

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

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

Total gross debt securities and other eligible bills increased by $15.9 billion to $101.8 billion. The increase in holdings of debt securities and other eligible bills is mainly due to Treasury Markets utilising excess liquidity from the growth in the Group's balance sheet. Of the total increase, 89 per cent is in stage 1 with the remaining 11 per cent in stage 2. Most securities held are highly rated to meet liquidity regulatory requirement. This can be observed in the increase of stage 1 securities rated A- and above of $14.9 billion.

Group

	2021			2020		
Amortised cost and FVOCI	Gross $million	ECL $million	Net[2] $million	Gross $million	ECL $million	Net[2] $million
Stage 1	96,350	(58)	96,292	82,230	(50)	82,180
AAA	58,836	(18)	58,818	49,721	(7)	49,714
AA- to AA+	12,584	(5)	12,579	8,324	(1)	8,323
A- to A+	8,142	(2)	8,140	6,598	(1)	6,597
BBB- to BBB+	11,071	(27)	11,044	12,072	(31)	12,041
Lower than BBB-	1,123	(1)	1,122	398	(1)	397
Unrated	4,594	(5)	4,589	5,117	(9)	5,108
Stage 2	5,315	(42)	5,273	3,488	(26)	3,462
AAA	641	(7)	634	24	–	24
AA- to AA+	592	(3)	589	–	–	–
A- to A+	22	(1)	21	50	(2)	48
BBB- to BBB+	2,869	(9)	2,860	2,693	(7)	2,686
Lower than BBB-	809	(20)	789	397	(11)	386
Unrated	382	(2)	380	324	(6)	318
Stage 3	113	(66)	47	114	(58)	56
Lower than BBB-	–	–	–	–	–	–
Unrated	113	(66)	47	114	(58)	56
Gross balance[1]	101,778	(166)	101,612	85,832	(134)	85,698

1 Stage 3 includes $33 million originated credit-impaired debt securities

2 FVOCI instruments are not presented net of ECL. While the presentation is on a net basis for the table, the total net on-balance sheet amount is $101,705 million (31 December 2020: $85,759 million). Refer to the Analysis of financial instrument by stage table on page 63

Company

Amortised cost and FVOCI	2021 Gross $million	2021 ECL $million	2021 Net[2] $million	2020 Gross $million	2020 ECL $million	2020 Net[2] $million
Stage 1	**82,388**	**(32)**	**82,356**	68,742	(19)	68,723
AAA	**56,041**	**(17)**	**56,024**	45,360	(6)	45,354
AA- to AA+	**10,585**	**(5)**	**10,580**	8,036	(1)	8,035
A- to A+	**6,450**	**(2)**	**6,448**	4,784	(1)	4,783
BBB- to BBB+	**6,263**	**(6)**	**6,257**	7,391	(7)	7,384
Lower than BBB-	**1,123**	**(1)**	**1,122**	383	(1)	382
Unrated	**1,926**	**(1)**	**1,925**	2,788	(3)	2,785
Stage 2	**3,603**	**(21)**	**3,582**	2,083	(10)	2,073
AAA	**641**	**(7)**	**634**	24	–	24
AA- to AA+	**592**	**(3)**	**589**	–	–	–
A- to A+	**22**	**(1)**	**21**	50	(2)	48
BBB- to BBB+	**1,672**	**(2)**	**1,670**	1,670	(4)	1,666
Lower than BBB-	**589**	**(7)**	**582**	225	(4)	221
Unrated	**87**	**(1)**	**86**	114	–	114
Stage 3	**82**	**(36)**	**46**	84	(29)	55
Lower than BBB-	**–**	**–**	**–**	–	–	–
Unrated	**82**	**(36)**	**46**	84	(29)	55
Gross balance[1]	**86,073**	**(89)**	**85,984**	70,909	(58)	70,851

1 Stage 3 includes $33 million originated credit-impaired debt securities

2 FVOCI instrument are not presented net of ECL. While the presentation is on a net basis for the table, the total net on-balance sheet amount is $86,028 million (31 December 2020: $70,872 million). Refer to the Analysis of financial instrument by stage table on page 65

IFRS 9 expected credit loss methodology (audited)

Approach for determining expected credit losses

Credit loss terminology

Component	Definition
Probability of default (PD)	The probability that a counterparty will default, over the next 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2), incorporating the impact of forward-looking economic assumptions that have an effect on Credit Risk, such as 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 cashflows due and those that the bank expects to receive. The Group estimates LGD based on the history of recovery rates and considers the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.
Exposure at default (EAD)	The expected balance sheet exposure at the time of default, taking into account expected changes over the lifetime of the exposure. This incorporates the impact of drawdowns of facilities with limits, repayments of principal and interest and amortisation.

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

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

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

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

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

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

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

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

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

Application of lifetime

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

In 2021, the behavioural life for corporate overdraft facilities was re-estimated using recent data, and it was confirmed that the existing lifetime of 24 months remains appropriate.

Key assumptions and judgements in determining expected credit loss

Incorporation of forward-looking information

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

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

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

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

In the Base Forecast – management's view of the most likely outcome –the world economy is expected to grow by just over 4 per cent in 2022, easing from an almost 6 per cent expansion in 2021. The strong growth last year was driven by vaccine rollouts and government stimulus and follows a contraction of more than 3 per cent in 2020, the worst performance since the Great Depression of 1929-31. Currently the near-term recovery momentum is being curtailed by supply side disruptions and elevated inflation. Despite this, world GDP growth in 2022 is still expected to be above the average of 3.7 per cent for the 10 years between 2010 and 2019.

Vaccines against COVID-19 have allowed economies to reopen, but constantly evolving virus strains have resulted in intermittent recoveries, and sectors like hospitality and tourism remain under pressure. In general, developed markets have been much better than emerging markets in rolling out vaccines; it is therefore not surprising that developed markets have led the recovery so far. The improvement in vaccine access in emerging markets in recent months should help to narrow the growth gap in 2022.

The balance of risks to the 2022 growth forecast is to the downside. The emergence of the new Omicron variant across many markets is likely to be felt in slowing the pace of reopening of economies or the re-introduction of restrictions limiting public contact and movement. This will pose downside risks to economic activity and employment. A delayed employment recovery would likely extend supply chain disruptions, weakening growth and keeping inflation elevated for longer. This combination will create challenges for policy makers globally as they attempt to strike a delicate balance between responding to upward inflationary pressures and managing downside risks to the economic outlook.

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

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

The table on page 101 provides a summary of the Group's Base Forecast for key markets, alongside the corresponding range seen across the multiple scenarios. The peak/trough amounts in the table show the highest and lowest points within the Base Forecast.

China's growth is expected to ease from over 8 per cent in 2021 to 5.6 per cent in 2022. After excluding the COVID-19 related weakness of 2020 when the economy grew by 2.3 per cent this will be the slowest pace of expansion since 1990 when GDP grew by 3.9 per cent. Headwinds to China's outlook include the spread of the new variant of COVID-19 and concerns over the real estate sector. In Singapore and India growth rates are also expected to ease in 2022 but will remain relatively robust at 3.6 per cent and 8 per cent, respectively. In Singapore progress with border reopening and a high domestic vaccination rate should support economic activity. Similarly in India a rapid pick-up in vaccine distribution, along with expansionary policies will support the recovery there. Growth in the United Arab Emirates is expected to pick up to over 4 per cent from 2.5 per cent in 2021, with growth supported by EXPO 2020, high vaccination rate and increased oil production.

Momentum from the strong rebound in 2021 is also expected ease in western economies. The United States is facing increasing headwinds in 2022. This follows robust growth last year as the rapid pace of vaccinations in the first half of 2021 allowed activity to normalise. US GDP growth is expected to moderate to 3.7 per cent in 2022 from 5.7 per cent in 2021 as supply-side constraints start to bite and high inflation squeezes real incomes. Europe also faces similar challenges with the growth in the eurozone expected to ease to around 4 per cent from 4.9 per cent in 2021.

The slowdown in world GDP growth will translate to a softening in the growth of demand for commodities in 2022. Supply disruptions from COVID-19 are also expected to diminish this year. The tightness in the supply-demand balance in the oil market is therefore likely to ease and the price of Brent Crude oil is expected to average $66.6 in 2022 compared with $70.0 in 2021.

2021

	China				UAE				Singapore				India			
	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]
GDP growth (YoY%)	5.4	6.1/ 4.7	2.6	8.3	3.7	6.5/1.3	1.8	8.2	2.5	4.8/1.8	(4.0)	9.4	6.4	16.6/4.2	2.0	10.5
Unemployment (%)	3.4	3.4/3.4	3.3	3.5	N/A	N/A	N/A	N/A	3.1	3.4/3.0	2.1	4.5	N/A	N/A	N/A	N/A
3 month interest rates (%)	2.8	3.1/2.1	1.3	4.6	1.5	2.2/0.6	0.0	4.4	1.4	2.2/0.5	0.1	4.2	5.4	6.2/4.0	3.2	8.8
House prices (YoY%)	4.0	4.5/1.8	(2.8)	11.1	1.4	0.6/(1.0)	(4.4)	11.9	3.6	4.2/3.3	(4.1)	15.4	7.1	7.2/5.8	(1.9)	24.9

2020

	China				UAE				Singapore				India			
	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]
GDP growth (YoY%)	6.0	19.4/3.2	1.9	20.4	3.0	9.0/(3.7)	0.9	12.0	2.8	13.7/(2.3)	(5.4)	17.5	6.4	32.6/0.0	(2.1)	34.9
Unemployment (%)	3.4	3.7/3.4	3.3	3.7	N/A	N/A	N/A	N/A	3.5	4.3/3.1	2.0	5.5	N/A	N/A	N/A	N/A
3 month interest rates (%)	2.3	2.4/2.2	0.9	4.5	0.8	1.2/0.6	(0.1)	3.3	0.7	1.2/0.5	0.0	2.2	4.3	5.4/3.3	2.0	6.9
House prices (YoY%)	5.8	6.2/4.7	1.2	8.7	0.9	2.0/(6.4)	(5.1)	6.5	4.0	4.3/1.5	(4.4)	16.9	6.7	7.2/4.8	(4.1)	21.8

	2021				2020			
	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]
Brent Crude, $ pb	63.7	73.5/60.0	8.9	211.4	53.8	60.9/39.0	22	116

1 N/A – Not available

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

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

4 Base forecasts are evaluated from Q1 2022 to Q4 2026. The forward-looking simulation starts from Q1 2022

Management overlay

As at 31 December 2021, the Group held a $233 million (31 December 2020: $322 million) management overlay relating to uncertainties as a result of the COVID-19 pandemic, $93 million (31 December 2020: $174 million) of which relates to Corporate, Commercial & Institutional Banking and $140 million (31 December 2020: $148 million) to Consumer, Private & Business Banking.

The overlay is re-assessed quarterly and are reviewed and approved by the IFRS 9 Impairment Committee.

COVID-19 overlay

Corporate, Commercial & Institutional Banking

Although the amount of loans placed on non-purely precautionary early alert has decreased compared with 31 December 2020, balances remain higher than before the pandemic. The impact of the rapid deterioration in the economic environment in 2020 has not yet been fully observed in customers' financial performance, in part due to ongoing government support measures across the Group's markets. Accordingly, we have not yet seen a significant increase in the level of stage 3 loans relating to COVID-19 up to 31 December 2021. To take account of the heightened Credit Risk and the continuing uncertainties in the pace and timing of economic recovery, a judgemental overlay has been taken by estimating the impact of further deterioration to the non-purely precautionary early alert portfolio. The overlay is held in stage 2.

Consumer, Private and Business Banking

A number of components contribute to the judgemental overlay for Consumer, Private & Business Banking. Within Business Banking, the Group has evaluated those sectors that have been adversely impacted by COVID-19, both through internal credit processes as well as through a 'Voice of Customer' survey to understand how customers have been affected. The Group has also considered the extent to which lockdowns have impacted collections and recoveries, and the extent to which payment reliefs may mask underlying credit risks, particularly in those markets in ASEAN & South Asia where compulsory moratoria schemes were in place. For those markets, the Group has estimated the impact of increased delinquencies and flows to defaults when the moratoria are lifted as well, as the extent to which customers in stage 1 may have experienced a significant increase in credit risk if not for the moratoria. The Group assessment also considered employee banking relationships with high-impact sectors, such as airlines, and the impact on Mortgages in Africa & the Middle East which generally have high LTVs. $80 million of the overlay is held in stage 1, $39 million in stage 2 and $21 million in stage 3.

Stage 3 assets

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

Sensitivity of expected credit loss calculation to macroeconomic variables

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

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

The Group faces downside risks in the operating environment related to the uncertainties surrounding the macroeconomic outlook. To explore this, a sensitivity analysis of ECL was undertaken to explore the effect of slower economic recoveries across the Group's footprint markets. Two downside scenarios were considered. In the first scenario the current supply chain disruptions prove more persistent than expected. Labour and material shortages persist throughout 2022 and higher commodity and other input prices add to inflationary pressure. The global recovery in investment and consumption disappoints and financial markets weaken. The impact on the global economy is temporary, however. Supply chain disruptions ease significantly from 2023. In the second scenario, new COVID-19 virus variants are assumed to lead to a new infection wave in emerging markets and developing economies, resulting in the re-introduction of severe lockdown measures. Travel restrictions significantly impact the Aviation and Hotels & Tourism sectors.

	Baseline		Supply chain disruption		New COVID-19 variant	
	Five year average	Peak/Trough	Five year average	Peak/Trough	Five year average	Peak/Trough
China GDP	5.4	6.1/4.7	5.0	5.5/3.6	5.2	13.4/(5.2)
China unemployment	3.4	3.4/3.4	3.5	4.0/3.4	4.1	5.9/3.4
China property prices	4.0	4.5/1.8	3.4	4.5/(1.5)	3.8	6.6/(1.6)
UAE GDP	3.7	6.5/1.3	3.6	6.2/1.0	3.7	10.3/(2.3)
UAE property prices	1.4	2.0/(1.0)	1.2	2.6/(3.2)	1.3	7.3/(6.8)
US GDP	2.3	4.7/1.7	1.6	4.0/(0.4)	2.0	13.1/(11.6)
Singapore GDP	2.5	4.8/1.8	1.9	3.3/(0.2)	2.2	11.1/(8.9)
India GDP	6.4	16.6/4.2	5.4	15.0/1.4	6.0	19.3/(12.4)
Crude Oil	63.7	73.5/60.0	66.3	76.2/62.0	49.4	57.0/32.7

The total reported stage 1 and 2 ECL provisions (including both on and off-balance sheet instruments) would be approximately $95 million higher under the supply chain disruption scenario and $417 million higher under the new COVID-19 variant scenario than the baseline ECL provisions (which excluded the impact of multiple economic scenarios and management overlays which may already capture some of the risks in these scenarios). The proportion of stage 2 assets would increase from 4.5 per cent to 4.9 per cent and 7.6 per cent respectively under the supply chain disruption and new COVID-19 variant scenarios. This includes the impact of exposures transferring to stage 2 from stage 1 but does not consider an increase in stage 3 defaults.

Under both scenarios the majority of the increase was in Corporate, Commercial & Institutional Banking with the main corporate portfolios in the United Kingdom and the United States being impacted. For the Consumer, Private and Business Banking portfolios most of the increases came from the big unsecured retail portfolios with the Malaysia and Singapore Credit Cards portfolios impacted.

There was no material change in modelled stage 3 provisions as these primarily relate to unsecured retail exposures for which the LGD is not sensitive to changes in the macroeconomic forecasts. There is also no material change for non-modelled stage 3 exposures as these are more sensitive to client specific factors than to alternative macroeconomic scenarios.

The actual outcome of any scenario may be materially different due to, among other factors, the effect of management actions to mitigate potential increases in risk and changes in the underlying portfolio.

Modelled provisions

	Supply chain disruption increase $m	New COVID-19 variant $m
Corporate, Commercial & Institutional Banking	60	314
Consumer, Private & Business Banking	33	92
Central & other items	2	10
Total	95	416

Proportion of assets in stage 2[1]

	Base Forecast scenario %	Moderate downside scenario %	Severe downside scenario %
Corporate, Commercial & Institutional Banking	6.3	7.2	12.5
Consumer, Private & Business Banking	3.9	4.2	5.3
Central & other items	2.4	2.5	2.5
Total	4.5	4.9	7.6

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

Significant increase in credit risk (SICR)

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

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

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

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

Qualitative criteria

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

Backstop

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

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

Corporate, Commercial & Institutional Banking clients

Quantitative criteria

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

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

Qualitative criteria

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

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

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

Consumer and Business Banking clients

Quantitative criteria

Material portfolios (defined as a combination of country and product) for which a statistical model has been built, are assessed based on both the absolute and relative movement in the PD from origination to the reporting date as described previously (page 103). For these portfolios, the original lifetime PD term structure is determined based on the original Application Score or Risk Segment of the client.

Qualitative criteria

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

Private Banking clients

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

Qualitative criteria

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

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

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

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

Debt securities

Quantitative criteria

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

Qualitative criteria

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

Assessment of credit-impaired financial assets

Consumer and Business 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, Commercial & Institutional Banking, and Private Banking clients

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

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

Write-offs

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

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

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

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

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

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

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

The IFRS 9 Impairment Committee:

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

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

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

In addition, Risk Event Overlays account for events that are sudden and therefore not captured in the Base Case Forecast or the resulting ECL calculated by the models. All Risk Event Overlays must be approved by the IIC having considered the nature of the event, why the risk is not captured in the model, and the basis on which the quantum of the overlay has been calculated. Risk Event Overlays are subject to quarterly review and re-approval by the IIC and will be released when the risks are no longer relevant.

Traded Risk

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

Market Risk (audited)

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

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

A summary of our current policies and practices regarding Market Risk management is provided in the Principal risks section (page 132 to 133).

The primary categories of Market Risk for the Group are:

- Interest Rate Risk: arising from changes in yield curves and implied volatilities on interest rate options
- Foreign Exchange Rate Risk: arising from changes in currency exchange rates and implied volatilities on foreign exchange options
- Commodity Risk: arising from changes in commodity prices and implied volatilities on commodity options; covering energy, precious metals, base metals and agriculture as well as commodity baskets
- Credit Spread Risk: arising from changes in the price of debt instruments and credit-linked derivatives, driven by factors other than the level of risk-free interest rates
- Equity Risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options

Market risk changes (audited)

Value-at Risk (VaR) allows the Group to manage market risk across the trading book and most of the fair valued non-trading books[1]. The scope of instruments included in the VaR was changed in 2021 to exclude instruments held at amortised cost. The 2020 VaR numbers presented reflect the revised scope.

The average level of total trading and non-trading VaR in 2021 was $41.1 million, 38.5 per cent lower than in 2020 ($66.9 million). The actual level of total trading and non-trading VaR as at the end of 2021 was $30.2 million, 67.2 per cent lower than in 2020 ($92.1 million). The decrease in total average VaR was driven by the extreme market movements from 2020 dropping out of the one-year VaR timeseries. However, during the second half of 2021 volatility started to increase driven by the impact of new COVID variants.

For the trading book, the average level of VaR in 2021 was $15.6 million, 1.9 per cent lower than in 2020 ($15.9 million). Trading activities have remained relatively unchanged and client-driven.

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

	2021				2020			
Trading and non-trading[1]	Average $million	High[2] $million	Low[2] $million	Year End $million	Average $million	High[2] $million	Low[2] $million	Year End $million
Interest Rate Risk[6]	24.9	53.9	13.2	19.3	24.5	30.2	15.9	26.7
Credit Spread Risk[6]	27.7	82.4	12.1	15.9	56.8	85.9	15.9	66.1
Foreign Exchange Risk	6.9	16.5	4.0	7.0	5.6	13.9	3.0	13.9
Commodity Risk	4.5	10.8	2.3	3.8	2.4	5.2	0.8	5.2
Equity Risk	1.3	1.7	1.0	1.4	2.6	5.4	1.5	1.5
Total[3]	41.1	99.9	20.9	30.2	66.9	96.9	20.2	92.1

Trading[4]	2021 Average $million	2021 High[2] $million	2021 Low[2] $million	2021 Year End $million	2020 Average $million	2020 High[2] $million	2020 Low[2] $million	2020 Year End $million
Interest Rate Risk[6]	7.1	9.4	5.1	6.2	7.8	12.1	4.3	5.7
Credit Spread Risk[6]	7.4	17.0	3.9	5.0	11.5	17.7	4.0	14.0
Foreign Exchange Risk	6.9	16.5	4.0	7.0	5.6	13.9	3.0	13.9
Commodity Risk	4.5	10.8	2.3	3.8	2.4	5.2	0.8	5.2
Equity Risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total[3]	15.6	28.7	11.4	14.0	15.9	26.4	7.7	26.1

Non-trading[1]	2021 Average $million	2021 High[2] $million	2021 Low[2] $million	2021 Year End $million	2020 Average $million	2020 High[2] $million	2020 Low[2] $million	2020 Year End $million
Interest Rate Risk[6]	26.8	52.3	14.9	18.3	22.9	31.3	13.6	29.3
Credit Spread Risk[6]	22.7	61.3	11.3	14.9	43.9	66.5	14.6	46.8
Equity Risk[5]	1.3	1.7	1.0	1.4	2.6	5.4	1.4	1.5
Total[3]	36.3	78.7	19.5	28.8	53.4	71.0	20.9	58.7

1 The non-trading book VaR does not include syndicated loans. 2020 non-trading book VaR is restated to reflect the revised scope.

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

3 The Total VaR is not equal to the sum of the component risks due to offsets between them

4 Trading book for Market Risk is defined in accordance with the UK onshored Capital Requirements Regulation Part 3 Title I Chapter 3, which restricts the positions permitted in the trading book

5 Non-trading Equity risk VaR includes only listed equities

6 Comparative information for 2020 has been represented to reflect the split between Interest Rate Risk and Credit Spread Risk

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

	2021 Average $million	2021 High[2] $million	2021 Low[2] $million	2021 Year End $million	2020 Average $million	2020 High[2] $million	2020 Low[2] $million	2020 Year End $million
Trading and non-trading[1]	41.1	99.9	20.9	30.2	66.9	96.9	20.2	92.1
Trading[4]								
Rates	6.4	9.1	4.7	6.0	6.7	10.4	3.7	6.8
Foreign Exchange	6.9	16.5	4.0	7.0	5.6	13.9	3.0	13.9
Credit Trading & Capital Markets	6.8	18.2	3.5	4.9	7.6	14.3	3.1	9.2
Commodities	4.6	10.8	2.4	3.8	2.4	5.2	0.8	5.2
Equities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
XVA	5.1	10.3	2.8	2.9	8.1	12.7	3.1	8.7
Total[3]	15.6	28.7	11.4	14.0	15.9	26.4	7.7	26.1
Non-trading[1]								
Treasury Markets	29.5	64.0	16.5	26.7	40.9	63.2	19.8	45.1
Treasury Capital Management	9.2	22.7	4.9	6.5	10.2	14.9	4.6	14.4
Global Credit	12.4	24.8	4.1	8.7	29.1	58.0	0.8	14.4
Listed Private Equity	1.3	1.7	1.0	1.4	2.6	5.4	1.4	1.5
Total[3]	36.3	78.7	19.5	28.8	53.4	71.0	20.9	58.7

1 The non-trading book VaR does not include syndicated loans. 2020 non-trading book VaR is restated to reflect the revised scope.

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

3 The Total VaR is not equal to the sum of the component risks due to offsets between them

4 Trading book for Market Risk is defined in accordance with the EU Capital Requirements Regulation (CRD IV/CRR) Part 3 Title I Chapter 3 (as it forms part of UK domestic law), which restricts the positions permitted in the trading book

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

Trading[2]	2021 $million	2020 $million
Interest Rate Risk	**1.6**	1.7
Credit Spread Risk	**0.6**	0.6
Foreign Exchange Risk	**3.4**	3.8
Commodity Risk	**0.6**	0.6
Equity Risk	**–**	–
Total	**6.2**	6.7

Non-trading[2]	$million	$million
Interest Rate Risk	**0.3**	1.2
Credit Spread Risk	**(0.1)**	(0.1)
Equity Risk	**–**	–
Total	**0.2**	1.1

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

2 2020 figures have been restated to exclude income from non fair value positions

Structural foreign exchange exposures

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

	2021 $million	2020 $million
Indian rupee	**4,323**	4,223
Renminbi	**36**	35
Singapore dollar	**2,228**	2,543
Taiwanese dollar	**49**	50
UAE dirham	**643**	1,863
Malaysian ringgit	**1,532**	1,575
Thai baht	**775**	892
Indonesian rupiah	**289**	332
Pakistani rupee	**429**	466
Other	**4,976**	4,437
	15,280	16,416

As at 31 December 2021, the Group had taken net investment hedges using derivative financial investments to partly cover its exposure to the UAE dirham of $1,198 million (2020: Nil), Singapore dollar of $729 million (2020: Nil) and Indian rupee of $656 million (2020: $652 million). 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 $156 million (2020: $147 million). Changes in the valuation of these positions are taken to reserves.

For analysis of the Group's capital position and requirements, refer to the Capital Review (page 153).

Counterparty credit risk

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

Derivative financial instruments credit risk mitigation

The Group enters into master netting agreements, which in the event of default result in a single amount owed by or to the counterparty through netting the sum of the positive and negative mark-to-market values of applicable derivative transactions. The value of exposure under master netting agreements is $42,577 million (2020: $52,308 million).

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

Liquidity and Funding risk

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

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

The table below shows the composition of liabilities in which customer deposits make up 56 per cent of total liabilities and equity as at 31 December 2021, the majority of which are current accounts, savings accounts and time deposits. Our largest customer deposits base by geography is Europe & Americas which holds 51 per cent of Group customer accounts.

Composition of liabilities and equity	Percentage
Equity	6.5%
Subordinated liabilities and other borrowed funds	2.7%
Debt securities in issue	7.4%
Derivative financial instruments	9.8%
Customer accounts	56.1%
Deposit by banks	5.6%
Other liabilities	11.9%
Total	**100.0%**

Geographic distribution of customer accounts balances	Percentage
Asia	37.9%
Africa & Middle East	11.4%
Europe & Americas	50.7%
Total	**100.0%**

Liquidity and Funding risk metrics

We monitor key liquidity metrics regularly on a country basis 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. As of January 2022, the Net Stable Funding Ratio will also be included within Board Risk Appetite.

Liquidity coverage ratio (LCR)

The Liquidity Coverage Ratio (LCR) aims to ensure that a bank has sufficient unencumbered high-quality liquid assets to meet its liquidity needs in a 30-calendar-day liquidity stress scenario. SC Bank is not regulated for LCR, however, the bank and material subsidiaries in the consolidation have standalone LCR ratios above 100 per cent at 31 December 2021, calculated under UK onshored Commission Delegated Regulation 2015/61.

Stressed coverage

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

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

Standard Chartered-specific – 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 – Captures the liquidity impact from a market wide crisis affecting all participants in a country, region or globally.

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

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

As of 31 December 2021, all entities within the Group follow a consistent approach and met their individual stress test requirements within Risk appetite, and as a result, ensure Group has surplus liquidity when combined.

External wholesale borrowing

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

Advances-to-deposits ratio

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

Advances-to-deposits ratio has decreased by 4.7 per cent to 52.1 per cent, driven primarily by robust growth in deposits from corporate customers.

	2021 $million	2020 $million
Total loans and advances to customers[1,2]	129,799	126,859
Total customer accounts[3]	249,299	223,472
Advances-to-deposits ratio	52.1%	56.8%

1 Excludes reverse repurchase agreement and other similar secured lending of $3,764 million and includes loans and advances to customers held at fair value through profit and loss of $3,932 million

2 Loans and advances to customers for the purpose of the advances-to-deposits ratio excludes $15,168 million of approved balances held with central banks, confirmed as repayable at the point of stress (31 December 2020: $14,296 million)

3 Includes customer accounts held at fair value through profit or loss of $6,968 million (31 December 2020: $6,753 million)

Net stable funding ratio (NSFR)

The NSFR is a balance sheet metric which requires institutions to maintain a stable funding profile in relation to an assumed duration 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. SC Bank is not regulated for NSFR, however, the bank and material subsidiaries in the consolidation have standalone NSFR ratios above 100 per cent at 31 December 2021, calculated under UK onshored Commission Delegated Regulation 2015/61.

Liquidity pool

The liquidity value of the Group's LCR eligible liquidity pool at the reporting date was $131 billion. The figures in the below table account for haircuts, currency convertibility and portability constraints, and therefore are not directly comparable with the consolidated balance sheet. Liquidity pool is held to offset stress outflows as defined in UK onshored Commission Delegated Regulation 2015/61.

Group

	2021			
	Asia $ million	Africa & Middle East $ million	Europe & Americas $ million	Total $ million
Level 1 securities				
Cash and balances at central banks	20,626	890	46,973	68,489
Central banks, governments/public sector entities	13,607	2,096	27,389	43,092
Multilateral development banks and international organisations	727	356	7,366	8,449
Other	–	–	478	478
Total Level 1 securities	34,960	3,342	82,206	120,508
Level 2A securities	3,447	187	5,047	8,681
Level 2B securities	114	–	1,620	1,734
Total LCR eligible assets	38,521	3,529	88,873	130,923

	2020 (Restated)			
	Asia[1] $ million	Africa & Middle East $ million	Europe & Americas $ million	Total $ million
Level 1 securities				
Cash and balances at central banks	21,878	1,421	42,502	65,801
Central Banks, governments/public sector entities	9,627	1,569	33,652	44,848
Multilateral development banks and international organisations	453	236	6,818	7,507
Other	–	14	1,645	1,659
Total Level 1 securities	31,958	3,240	84,617	119,815
Level 2A securities	1,878	79	2,891	4,848
Level 2B securities	207	–	287	494
Total LCR eligible assets	34,043	3,319	87,795	125,157

Company

	2021			
	Asia $ million	**Africa & Middle East $ million**	**Europe & Americas $ million**	**Total $ million**
Level 1 securities				
Cash and balances at central banks	**3,801**	**476**	**40,983**	**45,260**
Central banks, governments/public sector entities	**6,599**	**1,608**	**27,388**	**35,595**
Multilateral development banks and international organisations	**–**	**356**	**7,366**	**7,722**
Other	**–**	**–**	**478**	**478**
Total Level 1 securities	**10,400**	**2,440**	**76,215**	**89,055**
Level 2A securities	**695**	**187**	**5,047**	**5,929**
Level 2B securities	**–**	**–**	**1,618**	**1,618**
Total LCR eligible assets	**11,095**	**2,627**	**82,880**	**96,602**

	2020 (Restated)			
	Asia[1] $ million	Africa & Middle East $ million	Europe & Americas $ million	Total $ million
Level 1 securities				
Cash and balances at central banks	6,166	1,065	37,501	44,732
Central Banks, governments /public sector entities	5,410	1,493	33,651	40,554
Multilateral development banks and international organisations	–	236	6,818	7,054
Other	–	14	1,645	1,659
Total Level 1 securities	11,576	2,808	79,615	93,999
Level 2A securities	454	79	2,891	3,424
Level 2B securities	–	–	286	286
Total LCR eligible assets	12,030	2,887	82,792	97,709

1 Following the Group's change in organisational structure, there has been an integration of Greater China & North Asia and ASEAN & South Asia to Asia. Prior period has been restated

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

Contractual maturity of assets and liabilities

The following table presents assets and liabilities by maturity groupings based on the remaining period to the contractual maturity date as at the balance sheet date on a discounted basis. Contractual maturities do not necessarily reflect actual repayments or cashflows.

Within the tables below, cash and balances with central banks, interbank placements and investment securities that are fair value through other comprehensive income are used by the Group principally for liquidity management purposes.

As at the reporting date, assets remain predominantly short-dated, with 67 per cent maturing in under one year. Our less than three-month cumulative net funding position remained in surplus and the scale of the surplus 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

	2021								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Cash and balances at central banks	58,904	–	–	–	–	–	–	3,059	61,963
Derivative financial instruments	16,174	9,643	6,531	3,159	2,509	4,246	5,927	5,056	53,245
Loans and advances to banks[1,2]	15,511	16,075	9,535	4,018	4,145	1,308	1,442	295	52,329
Loans and advances to customers[1,2]	64,975	51,711	17,984	6,817	6,639	11,320	17,572	31,991	209,009
Investment securities	4,143	8,488	6,516	6,046	5,624	13,489	35,855	42,108	122,269
Other assets	16,757	16,438	702	66	288	34	32	5,424	39,741
Due from subsidiary undertakings and other related parties	6,235	–	–	–	–	–	–	–	6,235
Total assets	182,699	102,355	41,268	20,106	19,205	30,397	60,828	87,933	544,791
Liabilities									
Deposits by banks[1,3]	28,048	849	1,032	83	224	96	22	2	30,356
Customer accounts[1,4]	233,858	38,901	17,994	6,069	4,111	3,433	1,139	334	305,839
Derivative financial instruments	16,149	10,433	6,503	3,488	2,513	4,429	6,521	3,550	53,586
Senior debt[5]	187	473	563	314	299	456	1,289	2,060	5,641
Other debt securities in issue[1]	2,210	12,470	7,168	2,892	3,248	3,132	3,022	637	34,779
Due to parent companies and other related undertakings	30,998	–	–	–	–	–	–	–	30,998
Other liabilities	9,440	17,583	598	166	354	759	861	3,779	33,540
Subordinated liabilities and other borrowed funds	4	35	96	113	1,063	2,348	1,076	9,880	14,615
Total liabilities	320,894	80,744	33,954	13,125	11,812	14,653	13,930	20,242	509,354
Net liquidity gap	(138,195)	21,611	7,314	6,981	7,393	15,744	46,898	67,691	35,437

1 Loans and advances, investment securities, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value through profit or loss, see Note 12 Financial instruments pages 198 to 241

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $83.7 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of $5.1 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of $56.5 billion

5 Senior debt maturity profiles are based upon contractual maturity, which may be later than call options over the debt held by the Group

	2020								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Cash and balances at central banks	55,434	–	–	–	–	–	–	2,683	58,117
Derivative financial instruments	12,478	20,593	7,948	4,907	3,423	5,091	8,571	6,214	69,225
Loans and advances to banks[1,2]	19,881	13,572	6,956	3,612	2,058	1,083	1,203	277	48,642
Loans and advances to customers[1,2]	61,175	34,171	17,375	5,150	5,714	10,570	21,731	32,790	188,676
Investment securities	4,357	9,466	5,507	7,240	6,181	14,630	28,803	26,066	102,250
Other assets	16,318	16,371	1,039	187	53	40	37	7,026	41,071
Due from subsidiary undertakings and other related parties	5,612	–	–	–	–	–	–	–	5,612
Total assets	175,255	94,173	38,825	21,096	17,429	31,414	60,345	75,056	513,593
Liabilities									
Deposits by banks[1,3]	26,015	989	2,249	137	201	21	1	42	29,655
Customer accounts[1,4]	200,223	39,776	11,319	3,868	4,496	4,599	608	138	265,027
Derivative financial instruments	13,575	19,765	8,338	4,773	3,580	5,351	10,066	3,620	69,068
Senior debt[5]	214	1,742	299	79	168	327	1,149	2,085	6,063
Other debt securities in issue[1]	1,207	6,751	9,842	2,697	2,422	3,197	1,208	329	27,653
Due to parent companies and other related undertakings	32,326	–	–	–	–	–	–	–	32,326
Other liabilities[6]	11,927	16,693	2,272	288	109	483	214	3,707	35,693
Subordinated liabilities and other borrowed funds	–	–	–	–	–	960	2,037	11,882	14,879
Total liabilities	285,487	85,716	34,319	11,842	10,976	14,938	15,283	21,803	480,364
Net liquidity gap	(110,232)	8,457	4,506	9,254	6,453	16,476	45,062	53,253	33,229

1 Loans and advances, investment securities, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value through profit or loss, see Note 12 Financial instruments pages 198 to 241

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $66.5 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of $5.8 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of $41.5 billion

5 Senior debt maturity profiles are based upon contractual maturity, which may be later than call options over the debt held by the Group

6 Includes correction of fair value hedge accounting adjustment $81 million

Company

	2021								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Cash and balances at central banks	47,004	–	–	–	–	–	–	1,161	48,165
Derivative financial instruments	11,901	10,740	7,068	3,506	2,820	4,734	6,974	5,735	53,478
Loans and advances to banks[1,2]	10,742	12,682	6,314	2,817	2,810	1,133	1,274	295	38,067
Loans and advances to customers[1,2]	49,367	31,122	13,598	4,733	3,595	8,802	10,672	11,754	133,643
Investment securities	2,257	4,479	4,418	4,335	4,091	10,367	31,343	40,372	101,662
Investment in subsidiary undertaking	–	–	–	–	–	–	–	9,694	9,694
Other assets	16,128	10,465	367	52	233	31	21	3,130	30,427
Due from subsidiary undertakings and other related parties	10,741	–	–	–	–	–	–	–	10,741
Total assets	148,140	69,488	31,765	15,443	13,549	25,067	50,284	72,141	425,877
Liabilities									
Deposits by banks[1,3]	21,971	364	991	80	188	52	20	–	23,666
Customer accounts[1,4]	145,292	27,787	15,276	4,380	2,420	2,130	911	323	198,519
Derivative financial instruments	11,941	11,743	6,985	3,894	2,666	4,888	7,488	4,230	53,835
Senior debt[5]	152	396	368	200	299	364	1,187	2,041	5,007
Other debt securities in issue[1]	2,010	12,447	6,184	2,892	3,248	1,682	3,022	1,420	32,905
Due to parent companies and other related undertakings	40,745	–	–	–	–	–	–	–	40,745
Other liabilities	8,474	11,262	516	130	309	643	666	3,477	25,477
Subordinated liabilities and other borrowed funds	4	35	96	113	1,063	2,348	1,076	9,341	14,076
Total liabilities	230,589	64,034	30,416	11,689	10,193	12,107	14,370	20,832	394,230
Net liquidity gap	(82,449)	5,454	1,349	3,754	3,356	12,960	35,914	51,309	31,647

1 Loans and advances, investment securities, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value through profit or loss, see Note 12 Financial instruments pages 198 to 241

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $81.1 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 borrowing of $56.4 billion

5 Senior debt maturity profiles are based upon contractual maturity, which may be later than call options over the debt held by the Group

	2020								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Cash and balances at central banks	45,544	–	–	–	–	–	–	932	46,476
Derivative financial instruments	13,786	13,945	9,372	5,515	3,714	5,598	9,984	6,996	68,910
Loans and advances to banks[1,2]	14,263	11,239	4,379	2,081	1,388	979	1,045	277	35,651
Loans and advances to customers[1,2]	42,805	20,654	14,471	3,804	3,058	7,226	14,931	12,980	119,929
Investment securities	1,800	7,423	4,288	6,120	5,545	11,055	23,321	24,562	84,114
Investment in subsidiary undertaking	–	–	–	–	–	–	–	8,258	8,258
Other assets	15,980	12,908	430	178	58	35	27	4,084	33,700
Due from subsidiary undertakings and other related parties	10,885	–	–	–	–	–	–	–	10,885
Total assets	145,063	66,169	32,940	17,698	13,763	24,893	49,308	58,089	407,923
Liabilities									
Deposits by banks[1,3]	20,934	741	2,205	122	182	20	–	40	24,244
Customer accounts[1,4]	120,212	34,388	8,497	2,689	2,594	1,237	514	124	170,255
Derivative financial instruments	14,382	13,118	9,576	5,478	3,843	5,684	11,498	4,844	68,423
Senior debt[5]	30	1,055	198	79	168	322	1,023	2,013	4,888
Other debt securities in issue[1]	1,207	6,751	9,842	2,697	2,412	1,747	1,208	1,112	26,976
Due to parent companies and other related undertakings	43,012	–	–	–	–	–	–	–	43,012
Other liabilities[6]	11,415	11,962	713	238	80	364	178	2,295	27,245
Subordinated liabilities and other borrowed funds	–	–	–	–	–	960	2,037	11,342	14,339
Total liabilities	211,192	68,015	31,031	11,303	9,279	10,334	16,458	21,770	379,382
Net liquidity gap	(66,129)	(1,846)	1,909	6,395	4,484	14,559	32,850	36,319	28,541

1 Loans and advances, investment securities, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value through profit or loss, see Note 12 Financial instruments pages 198 to 241

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $64.6 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of $5.7 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of $41.5 billion

5 Senior debt maturity profiles are based upon contractual maturity, which may be later than call options over the debt held by the Group

6 Includes correction of fair value hedge accounting adjustment $81 million

Behavioural maturity of financial assets and liabilities

The cashflows presented in the previous section reflect the cashflows that will be contractually payable over the residual maturity of the instruments. However, contractual maturities do not necessarily reflect the timing of actual repayments or cashflow. In practice, certain assets and liabilities behave differently from their contractual terms, especially for short-term customer accounts, credit card balances and overdrafts, which extend to a longer period than their contractual maturity. On the other hand, mortgage balances tend to have a shorter repayment period than their contractual maturity date. Expected customer behaviour is assessed and managed on a country basis using qualitative and quantitative techniques, including analysis of observed customer behaviour over time.

Maturity of financial liabilities on an undiscounted basis

The following table analyses the contractual cashflows payable for the Group's financial liabilities by remaining contractual maturities on an undiscounted basis. The financial liability balances in the table below will not agree to the balances reported in the consolidated balance sheet as the table incorporates all contractual cashflows, on an undiscounted basis, relating to both principal and interest payments. Derivatives not treated as hedging derivatives are included in the 'On demand' time bucket and not by contractual maturity.

Within the 'More than five years and undated' maturity band are undated financial liabilities, the majority of which relate to subordinated debt, on which interest payments are not included as this information would not be meaningful, given the instruments are undated. Interest payments on these instruments are included within the relevant maturities up to five year.

Group

	2021								
	One month or less $million	**Between one month and three months $million**	**Between three months and six months $million**	**Between six months and nine months $million**	**Between nine months and one year $million**	**Between one year and two years $million**	**Between two years and five years $million**	**More than five years and undated $million**	**Total $million**
Deposits by banks	**28,048**	**850**	**1,032**	**83**	**224**	**96**	**22**	**3**	**30,358**
Customer accounts	**233,879**	**38,922**	**18,017**	**6,084**	**4,145**	**3,461**	**1,152**	**334**	**305,994**
Derivative financial instruments[1]	**53,377**	**7**	**19**	**5**	**3**	**23**	**73**	**79**	**53,586**
Debt securities in issue	**2,414**	**12,946**	**7,752**	**3,221**	**3,572**	**3,652**	**4,428**	**6,875**	**44,860**
Due to parent companies and other related undertakings	**30,998**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**30,998**
Subordinated liabilities and other borrowed funds	**37**	**59**	**129**	**125**	**1,089**	**2,423**	**1,252**	**16,483**	**21,597**
Other liabilities	**12,992**	**17,561**	**589**	**166**	**354**	**759**	**861**	**1,201**	**34,483**
Total liabilities	**361,745**	**70,345**	**27,538**	**9,684**	**9,387**	**10,414**	**7,788**	**24,975**	**521,876**

	2020								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Deposits by banks	26,032	992	2,250	138	201	22	1	41	29,677
Customer accounts	200,420	39,820	11,338	3,879	4,531	4,609	611	138	265,346
Derivative financial instruments[1]	68,628	4	21	33	24	101	224	33	69,068
Debt securities in issue	1,422	8,349	10,153	2,784	2,600	3,558	2,398	2,446	33,710
Due to parent companies and other related undertakings	32,326	–	–	–	–	–	–	–	32,326
Subordinated liabilities and other borrowed funds	–	71	100	71	236	1,438	3,282	17,232	22,430
Other liabilities[2]	11,910	16,670	2,272	287	109	481	217	1,548	33,494
Total liabilities	340,738	65,906	26,134	7,192	7,701	10,209	6,733	21,438	486,051

1 Derivatives are on a discounted basis

2 Includes correction of fair value hedge accounting adjustment $81 million

Company

	2021								
	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	21,971	364	991	80	188	52	22	–	23,668
Customer accounts	145,311	27,800	15,289	4,391	2,429	2,151	915	322	198,608
Derivative financial instruments[1]	53,634	5	19	5	3	19	70	80	53,835
Debt securities in issue	2,179	12,846	6,570	3,105	3,572	2,110	4,326	3,490	38,198
Due to parent companies and other related undertakings	40,745	–	–	–	–	–	–	–	40,745
Subordinated liabilities and other borrowed funds	37	59	129	125	1,089	2,423	1,252	15,353	20,467
Other liabilities	11,716	11,249	516	130	309	643	666	717	25,946
Total liabilities	**275,593**	**52,323**	**23,514**	**7,836**	**7,590**	**7,398**	**7,251**	**19,962**	**401,467**

	2020								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Deposits by banks	20,936	744	2,206	123	182	21	–	40	24,252
Customer accounts	120,276	34,417	8,508	2,698	2,604	1,243	516	124	170,386
Derivative financial instruments[1]	68,043	4	20	29	22	73	199	33	68,423
Debt securities in issue	1,237	7,662	10,052	2,784	2,590	2,103	2,273	3,157	31,858
Due to parent companies and other related undertakings	43,012	–	–	–	–	–	–	–	43,012
Subordinated liabilities and other borrowed funds	–	71	100	71	236	1,438	3,274	16,288	21,478
Other liabilities[2]	11,337	11,940	713	238	81	363	181	798	25,651
Total liabilities	264,841	54,838	21,599	5,943	5,715	5,241	6,443	20,440	385,060

1 Derivatives are on a discounted basis

2 Includes correction of fair value hedge accounting adjustment $81 million

Interest Rate Risk in the Banking Book

The following table provides the estimated impact to a hypothetical base case projection of the Group's earnings under the following scenarios:

- A 50 basis point parallel interest rate shock (up and down) to the current market-implied path of rates, across all yield curves.
- A 100 basis point parallel interest rate shock (up) to the current market-implied path of rates, across all yield curves.

These interest rate shock scenarios assume all other economic variables remain constant. The sensitivities shown represent the estimated change in base case projected net interest income (NII), plus the change in interest rate implied income and expense from FX swaps used to manage Banking Book currency positions, under the different interest rate shock scenarios.

The interest rate sensitivities are indicative and based on simplified scenarios, estimating the aggregate impact of an instantaneous parallel shock across all yield curves over a one-year horizon, including the time taken to implement changes to pricing before becoming effective. The assessment assumes that non-interest rate sensitive aspects of the size and mix of the balance sheet remain constant and that there are no specific management actions in response to the change in rates. Furthermore, revenue associated with trading book income positions is recognised in trading book income and is therefore excluded from the reported sensitivities. No assumptions are made in relation to the impact on credit spreads in a changing rate environment.

Significant modelling and behavioural assumptions are made regarding scenario simplification, market competition, pass-through rates, asset and liability re-pricing tenors, and price flooring. In particular, the assumption that interest rates of all currencies and maturities shift by the same amount concurrently, and that no actions are taken to mitigate the impacts arising from this are considered unlikely. Reported sensitivities will vary over time due to a number of factors including changes in balance sheet composition, market conditions, customer behaviour and risk management strategy and should therefore not be considered an income or profit forecast.

	2021			
Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:	**USD bloc $million**	**SGD bloc $million**	**Other currency bloc $million**	**Total $million**
+ 50 basis points	**140**	**70**	**90**	**300**
- 50 basis points	**(120)**	**(70)**	**(60)**	**(250)**
+ 100 basis points	**260**	**120**	**200**	**580**

	2020			
Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:	USD bloc[1] $million	SGD bloc $million	Other currency bloc $million	Total[1] $million
+ 50 basis points	70	50	40	160
- 50 basis points	(100)	(60)	(50)	(210)
+ 100 basis points	140	100	80	320

1 Sensitivity for 2020 has been restated due to correction of interest rate basis for certain USD denominated interest rate swaps

As at 31 December 2021, the Group estimates the one-year impact of an instantaneous, parallel increase across all yield curves of 50 basis points to increase projected NII by $300 million. The equivalent impact from a parallel decrease of 50 basis points would result in a reduction in projected NII of $250 million. The Group estimates the one-year impact of an instantaneous, parallel increase across all yield curves of 100 basis points to increase projected NII by $580 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. NII sensitivity in all scenarios has increased versus 31 December 2020 due to changes in modelling assumptions to reflect expected re-pricing activity on Retail and Transaction Banking current accounts and savings accounts in the current interest rate environment, and to recognise the interest rate sensitivity of banking book income when providing funding to the trading book.

The inclusion of this item now aligns the measurement scope to that used for the calculation of the Group's net interest margin and has increased the reported sensitivity to the 50 basis point parallel shocks by $130 million, and to a 100 basis point parallel up shock by $260 million, primarily in US dollars.

The asymmetry between the up and down 50 basis point shock is primarily due to the low level of interest rates, which may constrain the Group's ability to reprice assets and liabilities should rates fall by a further 50 basis points, as well as differing behavioural assumptions, which are scenario specific. The level of asymmetry has changed since 31 December 2020 due to an increase in the proportion of the Group's assets whose pricing is assumed to be floored under the 50 basis point parallel down shock, and which now more than offset the assumed impact of flooring liability pricing under the same scenario. The decision to pass on changes in interest rates is highly subjective and depends on a range of factors including market environment and competitor behaviour.

Operational and Technology Risk

Operational Risk is defined as the "Potential for loss from inadequate or failed internal processes, technology, human error, or from the impact of external events (including legal risks)". It is inherent in the Group carrying out business and can be impacted from a range of operational risks.

Operational Risk profile

In 2021, the PLC Group has taken steps for further embedding of the enhanced framework to augment the management of operational risk with the aim of ensuring that risk is managed within Risk Appetite and we continue to deliver services to our clients. The PLC Group's Framework has been adopted by the Group via an addendum.

The Group has continued to provide a stable level of service to clients during the period of COVID-19 and adapted swiftly to changes in operations brought by the pandemic. As a result of the changes in internal and external operating environment due to COVID-19, particular areas of focus are Fraud, Information & Cyber Security, Privacy, Conduct and Resilience.

Operational Risk events and losses

Operational losses are one indicator of the effectiveness and robustness of the non-financial risk control environment. As at 31 December 2021, recorded impact from operational losses for the year was higher than 2020, primarily driven by the regulatory penalty of $61.7 million imposed by the PRA on the back of liquidity misreporting between 2018 and 2019 due to execution delivery and process management issues.

The Group's profile of operational loss events in 2021 and 2020 is summarised in the table below. It shows the percentage distribution of gross operational losses by Basel business line.

Distribution of Operational Losses by Basel business line	% Loss 2021	% Loss 2020[1]
Agency Services	**0.0%**	0.3%
Asset Management	**0.0%**	–
Commercial Banking	**6.6%**	20.7%
Corporate Finance	**–**	–
Corporate Items	**42.6%**	28.0%
Payment and Settlements	**38.6%**	18.9%
Retail Banking	**7.1%**	20.8%
Retail Brokerage	**0.0%**	0.3%
Trading and Sales	**5.2%**	11.0%

1 Losses in 2020 have been restated to include incremental events recognised in 2021

The Group's profile of operational loss events in 2021 and 2020 is also summarised by Basel event type in the table below. It shows the percentage distribution of gross operational losses by Basel event type.

Distribution of Operational Losses by Basel event type	% Loss 2021	% Loss 2020[1]
Business disruption and system failures	**3.9%**	2.0%
Clients products and business practices	**0.1%**	3.8%
Damage to physical assets	**0.0%**	0.1%
Employment practices and workplace safety	**0.0%**	0.4%
Execution delivery and process management	**80.6%**	76.4%
External fraud	**7.5%**	16.9%
Internal fraud	**7.9%**	0.4%

1 Losses in 2020 have been restated to include incremental events recognised in 2021

Other principal risks

Losses arising from operational failures for other principal risks are reported as operational losses. Operational losses do not include Operational Risk-related credit impairments.

Risk Management Framework

Effective risk management is essential in delivering consistent and sustainable performance for all of our stakeholders and is a central part of the financial and operational management of the Group. The Group adds value to clients and the communities in which they operate by taking and managing appropriate levels of risk, which in turn generates returns for shareholders.

The Risk Management Framework (RMF) enables the Group to manage enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our Risk Appetite. The RMF has been designed in accordance with the PLC Group's Enterprise Risk Management Framework (ERMF), and since its approval in June 2020, it has been implemented with the explicit goal of improving the Group's risk management.

In 2021, we completed a comprehensive review of the RMF, and the following changes were approved by the Court:

- Cross-cutting risks have been repositioned as Integrated Risk Types (IRT) and are defined as "risks that are significant in nature and materialise primarily through the relevant Principal Risk Types". The RMF sets out the roles and responsibilities and minimum governance requirements for management of IRTs.
- Given their integrated nature, Digital Asset Risk and Third-Party Risk, in addition to Climate Risk, have been categorised as Integrated Risk Types in the RMF.
- The Capital and Liquidity Principal Risk Type has been renamed to Treasury Risk and the scope of the risk type expanded to cover Interest Rate Risk in the Banking Book (IRRBB).

The revised RMF was approved in February 2022 and will become effective in March 2022.

Risk culture

The Group's risk culture provides guiding principles for the behaviours expected from our people when managing risk. The Court has approved a risk culture statement that encourages the following behaviours and outcomes:

- An enterprise-level ability to identify and assess current and future risks, openly discuss these and take prompt actions.
- The highest level of integrity by being transparent and proactive in disclosing and managing all types of risks.
- A constructive and collaborative approach in providing oversight and challenge, and taking decisions in a timely manner.
- Everyone to be accountable for their decisions and feel safe in using their judgement to make these considered decisions.

We acknowledge that banking inherently involves risk-taking and undesired outcomes will occur from time to time; however, we 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 as follows:

- By conducting an impact analysis on the risk profile from growth plans, strategic initiatives and business model vulnerabilities, with the aim of proactively identifying and managing new risks or existing risks that need to be reprioritised as part of the strategy review process.
- By confirming that growth plans and strategic initiatives can be delivered within the approved Risk Appetite and/or proposing additional Risk Appetite for Court consideration as part of the strategy review process.
- By validating the Corporate Plan against the approved or proposed Risk Appetite Statement to the Court. The Court approves the strategy review and the five-year Corporate Plan with a confirmation from the Group Chief Risk Officer that it is aligned with the RMF and the Group Risk Appetite Statement where projections allow.
- Country Risk management approach and Country Risk reviews are used to ensure the country limits and exposures are reasonable and in line with Group strategy, country strategy, and the operating environment, considering the identified risks. The Group leverages the PLC Group's framework for country risk management.

Roles and responsibilities

Senior Managers Regime[1]

Roles and responsibilities under the RMF are aligned to the objectives of the Senior Managers Regime. The Group Chief Risk Officer is responsible for the overall development and maintenance of the Group's RMF and for identifying material risk types to which the Group may be potentially exposed. The Group Chief Risk Officer delegates effective implementation of the PLC Group Risk Type Frameworks (RTFs) through the RMF to Risk Framework Owners who provide second line of defence oversight for the Principal Risk Types (PRTs). In addition, the Group Chief Risk Officer has been formally identified as the relevant senior manager responsible for the development of the Group's Digital Asset Risk Assessment Approach, as well as the senior manager responsible for Climate Risk management as it relates to financial and non-financial risks to the Group arising from climate change. This does not include elements of corporate social responsibility, the Group's contribution to climate change and the Sustainable Finance strategy supporting a low-carbon transition, which are the responsibility of other relevant senior managers.

The Risk function

The Risk function is responsible for the sustainability of our business through good management of risk across the Group by providing oversight and challenge, thereby ensuring that business is conducted in line with regulatory expectations.

The Group Chief Risk Officer directly manages the Risk function, which is separate and independent from the origination, trading and sales functions of the businesses. The Risk function is responsible for:

- Maintaining the RMF, ensuring that it remains relevant and appropriate to the Group's business activities, and is effectively communicated and implemented across the Group, and administering related governance and reporting processes
- Upholding the overall integrity of the Group's risk and return decisions to ensure that risks are properly assessed, that these decisions are made transparently on the basis of proper assessments and that risks are controlled in accordance with the PLC Group's standards and Risk Appetite
- Overseeing and challenging the management of Principal Risk Types and Integrated Risk Types under the RMF

The independence of the Risk function ensures that the necessary balance in making risk and return decisions is not compromised by short-term pressures to generate revenues.

In addition, the Risk function is a centre of excellence that provides specialist capabilities of relevance to risk management processes in the broader organisation.

The Risk function supports the Group's commitment to be 'Here for good' by building a sustainable framework that places regulatory and compliance standards and a culture of appropriate conduct at the forefront of the Group's agenda, in a manner proportionate to the nature, scale and complexity of the Group's business.

Conduct, Financial Crime and Compliance (CFCC), under the Management Team leadership of the Group Head, CFCC, works alongside the Risk function within the framework of the RMF to deliver a unified second line of defence.

1 Senior managers refer to individuals designated as senior management functions under the FCA and PRA Senior Managers Regime (SMR).

Three lines of defence model

Roles and responsibilities for risk management are defined under a three lines of defence model. Each line of defence has a specific set of responsibilities for risk management and control as shown in the table below.

Lines of defence	Definition	Key responsibilities include
1st	The businesses and functions engaged in or supporting revenue-generating activities that own and manage the risks	• Propose the risks required to undertake revenue-generating activities • Identify, assess, monitor and escalate risks and issues to the second line and senior management[1] and promote a healthy risk culture and good conduct • Validate and self-assess compliance to RTFs and policies, confirm the quality of validation, and provide evidence-based affirmation to the second line • Manage risks within Risk Appetite, set and execute remediation plans and ensure laws and regulations are being complied with • Ensure systems meet risk data aggregation, risk reporting and data quality requirements set by the second line
2nd	The control functions independent of the first line that provide oversight and challenge of risk management to provide confidence to the Group Chief Risk Officer, senior management and the Court	• Identify, monitor and escalate risks and issues to the Group Chief Risk Officer, senior management and the Court and promote a healthy risk culture and good conduct • Oversee and challenge first-line risk-taking activities and review first-line risk proposals • Propose Risk Appetite to the Court, monitor and report adherence to Risk Appetite and intervene to curtail business if it is not in line with existing or adjusted Risk Appetite, there is material non-compliance with policy requirements or when operational controls do not effectively manage risk • Set risk data aggregation, risk reporting and data quality requirements • Ensure that there are appropriate controls to comply with applicable laws and regulations, and escalate significant non-compliance matters to senior management and the appropriate committees
3rd	The Internal Audit function provides independent assurance on the effectiveness of controls that support first line's risk management of business activities, and the processes maintained by the second line	• Independently assess whether management has identified the key risks in the businesses and whether these are reported and governed in line with the established risk management processes • Independently assess the adequacy of the design of controls and their operating effectiveness

1 Senior management in this table refers to individuals designated as senior management functions under the FCA and PRA Senior Managers Regime (SMR).

Risk Appetite and profile

We recognise the following constraints which determine the risks that we are willing to take in pursuit of our strategy and the development of a sustainable business:

- Risk capacity is the maximum level of risk the Group can assume, given its current capabilities and resources, before breaching constraints determined by capital and liquidity requirements and internal operational capability (including but not limited to technical infrastructure, risk management capabilities, expertise), or otherwise failing to meet the expectations of regulators and law enforcement agencies
- Risk Appetite is defined by the Group and approved by the Court. It is the maximum amount and type of risk the Group is willing to assume in pursuit of its strategy. Risk Appetite cannot exceed risk capacity

The Court has approved a Risk Appetite Statement, which is underpinned by a set of financial and operational control parameters known as Risk Appetite metrics and their associated thresholds. These directly constrain the aggregate risk exposures that can be taken across the Group.

The Group Risk Appetite is reviewed at least on an annual basis to ensure that it is fit for purpose and aligned with strategy, and focus is given to emerging or new risks. The Risk Appetite Statement is supplemented by an overarching statement outlining the Group's Risk Appetite principles.

Risk Appetite principles

The Group Risk Appetite is defined in accordance with risk management principles that inform our overall approach to risk management and our risk culture. We follow the highest ethical standards and ensure a fair outcome for our clients, as well as facilitating the effective operation of financial markets, while at the same time meeting expectations of regulators and law enforcement agencies. We set our Risk Appetite to enable us to grow sustainably and to avoid shocks to earnings or our general financial health, as well as manage our Reputational Risk in a way that does not materially undermine the confidence of our investors and all internal and external stakeholders.

Risk Appetite Statement

The Group will not compromise adherence to its Risk Appetite in order to pursue revenue growth or higher returns. The Group Risk Appetite is supplemented by risk control tools such as granular level limits, policies, standards and other operational control parameters that are used to keep the Group's risk profile within Risk Appetite. The Group's risk profile is its overall exposure to risk at a given point in time, covering all applicable risk types. Status against Risk Appetite is reported to the Court, Court Risk Committee and the Standard Chartered Bank Executive Risk Committee, including the status of breaches and remediation plans where applicable.

In addition to Risk Appetite Statements for the Principal Risk Types, the Group also has a Risk Appetite Statement for Climate Risk which is an Integrated Risk Type that can manifest through other risk types. Consideration for standalone Risk Appetite Statements will be given in 2022 for additional integrated risks such as Third-Party Risk and Digital Asset Risk. Where relevant, these risk types are currently supported by Risk Appetite metrics embedded within the respective PRTs. The Standard Chartered Bank Executive Risk Committee and the Solo & Standard Chartered Bank UK (Branch) Asset and Liability Management Committee are responsible for ensuring that our risk profile is managed in compliance with the Risk Appetite set by the Court. The Court Risk Committee advises the Court on and monitors the Group's compliance with the Risk Appetite Statement.

The individual Principal Risk Types' Risk Appetite Statements approved by the Court are set out in the **Principal Risks** section **(pages 129 to 143])**

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 a holistic perspective since a single transaction or activity may give rise to multiple types of risk exposure, risk concentrations may arise from multiple exposures that are closely correlated, and a given risk exposure may change its form from one risk type to another. There are also sources of risk that arise beyond our own operations such as the Group's dependency on suppliers for the provision of services and technology.

As the Group remains accountable for risks arising from the actions of such third parties, failure to adequately monitor and manage these relationships could materially impact the Group's ability to operate and could have an impact on our ability to continue to provide services that are material to the Group.

To facilitate risk identification and assessment, the Group leverages the PLC Group's dynamic risk-scanning process with inputs from the internal and external risk environment, as well as potential threats and opportunities from the business and client perspectives. The Group maintains a taxonomy of the Principal Risk Types, Integrated Risk Types and risk sub-types that are inherent to the strategy and business model; as well as an emerging risks inventory that includes near-term as well as longer-term uncertainties. Near-term risks are those that are on the horizon and can be measured and mitigated to some extent, while uncertainties are longer-term matters that should be on the radar but are not yet fully measurable.

The Group Chief Risk Officer and the Standard Chartered Bank Executive Risk Committee review regular reports on the risk profile for the Principal Risk Types, adherence to the approved Risk Appetite and the Group risk inventory including emerging risks. They use this information to escalate material developments in each risk event and make recommendations to the Court annually on any potential changes to our Corporate Plan.

Further information on the Group's **emerging risks** can be found on **(pages 144 to 152)**

Stress testing

Stress tests are performed at PLC Group, Solo, country, business and portfolio level under a wide range of risks and at varying degrees of severity. Unless set by the Bank of England, scenario design is a bespoke process that aims to explore risks that can adversely impact the PLC Group.

The objective of stress testing is to support the PLC Group in assessing that it:

- Does not have a portfolio with excessive risk concentration that could produce unacceptably high losses under severe but plausible scenarios
- Has sufficient financial resources to withstand severe but plausible scenarios
- Has the financial flexibility to respond to extreme but plausible scenarios
- Understands the key business model risks and considers what kind of event might crystallise those risks - even if extreme with a low likelihood of occurring - and identifies as required, actions to mitigate the likelihood or impact as required

The PLC Group enterprise stress tests incorporate Capital and Liquidity Adequacy Stress Tests, including in the context of capital adequacy, recovery and resolution, and stress tests that assess scenarios where our business model becomes challenged, such as the BoE Biennial Exploratory Scenario, or unviable, such as reverse stress tests.

The Group relies on these stress tests to understand the Group level vulnerabilities. Based on the stress test results, the Group Chief Financial Officer and Group Chief Risk Officer can recommend strategic actions to the Court to ensure that the Group strategy remains within the Court-approved Risk Appetite.

Principal Risk Types

Principal Risk Types are risks that are inherent in our strategy and business model and have been formally defined in the Group's RMF. These risks are managed in line with the PLC Group RTFs which are adopted by the Company via an addendum to each RTF.

The Principal Risk Types and associated Risk Appetite Statements are approved by the Court.

The Group currently recognises Climate Risk, Digital Asset Risk and Third-Party Risk as Integrated Risk Types. Climate Risk is defined as "the potential for financial loss and non-financial detriments arising from climate change and society's response to it"; Digital Asset Risk is defined as "the potential for regulatory penalties, financial loss and or reputational damage to the Group resulting from digital asset exposure or digital asset related activities arising from the Group's Clients, Products and Projects" and Third-Party Risk is defined as "the potential for loss or adverse impact from failure to manage multiple risks arising from the use of third-parties, and is the aggregate of these risks."

In line with the Group's strategy to explore digital-asset related opportunities, the Group has continued to develop and enhance its Digital Asset Risk Management approach during 2021 in order to further embed risk management practices and ensure that digital asset activities across the Group are appropriately risk managed, and within the Group's Risk Appetite. The approach requires comprehensive assessments of risks arising from such initiatives and seeks to integrate the approach within existing risk management practices. The approach recognises the need for digital asset subject matter experts to assess and advise on the specific risks presented by digital assets. The Group applies the PLC Group Digital Assets Risk Management policy for the management of Digital Asset Risk and relies on the PLC Group committee to oversee digital asset related risks.

In future reviews, we will continue to consider if existing Principal Risk Types or incremental risks should be treated as Integrated Risk Types. The table below shows the Group's current Principal Risk Types.

Principal Risk Types	Definition
Credit Risk	• Potential for loss due to the failure of a counterparty to meet its agreed obligations to pay the Group
Traded Risk	• Potential for loss resulting from activities undertaken by the Group in financial markets
Treasury Risk	• Treasury Risk is formed of Capital and Liquidity Risk, and Interest Rate Risk in the Banking Book. Capital Risk is the potential for insufficient level, composition or distribution of capital, own funds and eligible liabilities to support our normal activities. Liquidity Risk is the risk that we may not have sufficient stable or diverse sources of funding to meet our obligations as they fall due. Interest Rate Risk in the Banking Book is the potential for a reduction in earnings or economic value due to movements in interest rates on banking book assets, liabilities and off-balance sheet items
Operational and Technology Risk	• Potential for loss resulting from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks)
Information and Cyber Security Risk	• Risk to the Group's assets, operations and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems
Compliance Risk	• Potential for penalties or loss to the Group or for an adverse impact to our clients, stakeholders or to the integrity of the markets we operate in through a failure on our part to comply with laws or regulations
Financial Crime Risk	• Potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to international sanctions, anti-money laundering, anti-bribery and corruption and Fraud
Model Risk	• Potential loss that may occur as a consequence of decisions or the risk of misestimation that could be principally based on the output of models, due to errors in the development, implementation or use of such models
Reputational and Sustainability Risk	• Potential for damage to the franchise (such as loss of trust, earnings or market capitalisation) because of stakeholders taking a negative view of the Group through actual or perceived actions or inactions, including a failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm through our client, third-party relationships or our own operations

Further details of our principal risks and how these are being managed are set out in the **Principal Risks** section **(pages 129 to 143)**

RMF effectiveness reviews

Effectiveness review of the RMF is managed as part of the PLC Group ERMF effectiveness review. At Group level, a self-assessment is conducted to assess the overall effectiveness of the RMF, and the results are taken into consideration in the ERMF effectiveness review. The Group Chief Risk Officer is responsible for annually affirming the effectiveness of the RMF to the Court Risk Committee.

The RMF effectiveness review is conducted annually since its implementation in 2020 and enables measurement of progress against the 2020 baseline.

Over the course of 2022, the Group aims to further strengthen its risk management practices through further improving on the management of non-financial risks and risks which are integrated in nature.

Executive and Court risk oversight

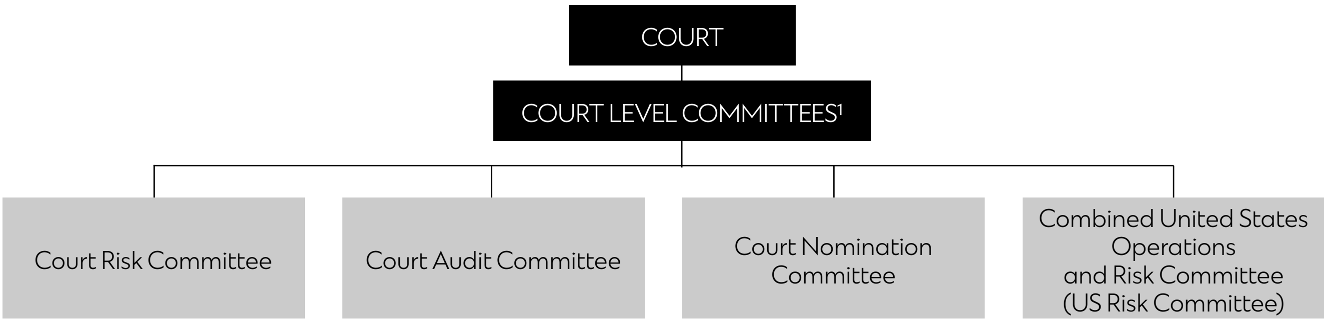
Overview

The Court comprises of the independent non-executive directors from the PLC Board ("Dual Non-executive Directors"), executive directors from the PLC Board ("Dual Executive Directors") and executive directors who are appointed solely to the Court ("Independent Executive Directors") with the specific purpose of providing independent decision making at the Court meetings.

The Court discharges its responsibilities directly or, in order to assist it in carrying out its function of ensuring effective independent oversight, delegates specific responsibilities to its four primary committees. The Court has ultimate responsibility for risk management and approves the RMF based on the recommendation from the Court Risk Committee, which also recommends the Group Risk Appetite Statement for all Principal Risk Types.

Court and Executive level risk committee governance structure

The Committee governance structure below presents the view as of 2021.



Court Risk Committee:

The Court Risk Committee is concerned with the oversight and review of principal risks.

Court Audit Committee:

The Court Audit Committee is concerned with the oversight and review of financial, audit, internal control and non-financial crime issues.

Combined United States Operations and Risk Committee (US Risk Committee):

The US Risk Committee is required to meet the requirements of the Dodd-Frank Act Section 165 Enhanced Prudential Standard Final Rules as released by the Federal Reserve Bank. It has prescribed responsibilities in relation to overseeing the risk management framework, approving and overseeing the implementation of the risk management policies and also specific review and approval responsibilities in relation to liquidity risk management. Membership of the Committee is comprised of directors of the Company or PLC, including at least one independent non-executive director and one with significant risk management experience.

1 The Court also has a Standing Committee with a remit to approve matters, on behalf of the Court, where a formal resolution is required for legal and regulatory purposes.

The Company's Management Team comprises of the members of the PLC Group Management Team including the Group Chief Executive Officer, the Group Chief Risk Officer and the Group Chief Financial Officer. Their responsibilities under the Senior Managers Regime cover both the PLC Group and the Group.

The Company has two management level committees, namely the Standard Chartered Bank Executive Risk Committee and Solo & Standard Chartered Bank UK (Branch) Asset and Liability Management Committee.

Standard Chartered Bank Executive Risk Committee
The Standard Chartered Bank Executive Risk Committee is responsible for ensuring the effective management of risk throughout the Group in support of the Group's strategy. The Group Chief Risk Officer chairs the Committee, whose members are drawn from the PLC Group's Management Team. The Committee determines the RMF, including the delegation of any part of its authorities to appropriate individuals or properly constituted sub-committees. The Group relies key PLC Group level committees to provide oversight of the Principal Risk Types across clients, businesses, products and functions. The Committee requests and receives relevant information to fulfil its governance mandates relating to the risks to which the Group is exposed. As with the Court Risk Committee, the Standard Chartered Bank Executive Risk Committee and Solo & Standard Chartered Bank UK (Branch) Asset and Liability Management Committee receive reports that include information on risk measures, Risk Appetite metrics and thresholds, risk concentrations, forward-looking assessments, updates on specific risk situations and actions agreed by these committees to reduce or manage risk.

Solo & Standard Chartered Bank UK (Branch) Asset and Liability Management Committee
The Solo & Standard Chartered Bank UK (Branch) Asset and Liability Management Committee is chaired by the CEO, Corporate, Commercial & Institutional Banking, Europe & Americas. 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, loss-absorbing capacity, liquidity, leverage, Interest Rate Risk in the Banking Book, Banking Book Basis Risk and Structural Foreign Exchange Risk, and meets internal and external recovery planning requirements.

Principal risks

We manage and control our Principal Risk Types in line with the PLC Group Risk Type Frameworks, policies and Court-approved Risk Appetite. These are implemented at the Company level via addenda to the PLC Group Risk Type Frameworks.

Credit Risk

The Group defines Credit Risk as the potential for loss due to the failure of a counterparty to meet its agreed obligations to pay the Group.

Risk Appetite Statement

The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors.

Roles and responsibilities

The Company addenda to the Credit Risk Type Frameworks for the Group are set and owned by the Chief Risk Officers for the business segments. The Credit Risk function is the second-line control function responsible for independent challenge, monitoring and oversight of the Credit Risk management practices of the business and functions engaged in or supporting revenue- generating activities which constitute the first line of defence. In addition, they ensure that credit risks are properly assessed and transparent; and that credit decisions are controlled in accordance with the Group's Risk Appetite, PLC Group's credit policies and standards.

Mitigation

We apply segment-specific PLC Group policies for the management of Credit Risk. The Credit Policy for Corporate, Commercial and Institutional Banking Client Coverage sets the principles that must be followed for the end-to-end credit process including credit initiation, credit grading, credit assessment, product structuring, Credit Risk mitigation, monitoring and control, and documentation.

The Consumer, Private and Business Banking Credit Risk Management Policy sets the principles for the management of Consumer, Private and Business Banking segments, that must be followed for end-to-end credit process including credit initiation, credit assessment and monitoring for lending to these segments.

In addition, there are other PLC Group-wide policies integral to Credit Risk management such as those relating to Risk Appetite, Model Risk, Stress Testing, and Impairment Provisioning.

We also apply the PLC Group standards for the eligibility, enforceability and effectiveness of Credit Risk mitigation arrangements. Potential credit losses from a given account, client or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and guarantees.

Risk mitigants are also carefully assessed for their market value, legal enforceability, correlation and counterparty risk of the protection provider.

Collateral must be valued prior to drawdown and regularly thereafter as required, to reflect current market conditions, the probability of recovery and the period of time to realise the collateral in the event of liquidation. We also seek to diversify our collateral holdings across asset classes and markets.

Where guarantees, credit insurance, standby letters of credit or credit derivatives are used as Credit Risk mitigation, the creditworthiness of the protection provider is assessed and monitored using the same credit approval process applied to the obligor.

Governance committee oversight

At Court level, the Court Risk Committee oversees the effective management of Credit Risk.

At the executive level, the Standard Chartered Bank Executive Risk Committee is responsible for the management of Credit Risk for the Group, and relies on other key PLC Group committees – in particular the Corporate, Commercial and Institutional Banking Risk Committee (CCIBRC), Consumer, Private and Business Banking Risk Committee (CPBBRC), and the regional risk committees for 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.

Decision-making authorities and delegation

The Credit Risk Type Frameworks are the formal mechanism which delegate Credit Risk authorities cascading from the Group Chief Risk Officer, as the Senior Manager of the Credit Risk Type, to individuals such as the business segments' Chief Risk Officers. Named individuals further delegate credit authorities to individual credit officers based on risk-adjusted scales by customer type or portfolio. The decision-making authorities and delegations are set out at the Group level via the Company addenda to the Credit Risk Type Frameworks.

Credit Risk authorities are reviewed at least annually to ensure that they remain appropriate. In Corporate, Commercial and Institutional Banking Client Coverage, 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 Consumer, Private and Business Banking, in most cases credit decision systems and tools (e.g. application scorecards) are used for credit decisioning. Where manual or discretionary credit decisions are applied, these are subject to periodic quality control assessment and assurance checks.

Monitoring
We regularly monitor credit exposures, portfolio performance, and external trends that may impact risk management outcomes. Internal risk management reports that are presented to risk committees contain information on key political and economic trends across major portfolios and countries, portfolio delinquency and loan impairment performance.

The Industry Portfolio Mandate, developed jointly by the Corporate, Commercial and Institutional Banking Client Coverage business and the Risk function, provides a forward- looking assessment of risk using a platform from which business strategy, risk considerations and client planning are performed with one consensus view of the external industry outlook, portfolio overviews, Risk Appetite, underwriting principles and stress test insights.

In Corporate, Commercial and Institutional Banking Client Coverage, clients and portfolios are subjected to additional review when they display signs of actual or potential weakness; for example, where there is a decline in the client's position within the industry, financial deterioration, a breach of covenants, or non-performance of an obligation within the stipulated period. Such accounts are subjected to a dedicated process overseen by the Credit Issues Committees in the relevant countries where client account strategies and credit grades are re-evaluated. In addition, remedial actions, including exposure reduction, security enhancement or exiting the account, could be undertaken, and certain accounts could also be transferred into the control of Group Special Assets Management (GSAM), which is our specialist recovery unit for Corporate, Commercial and Institutional Banking Client Coverage that operates independently from our main business.

For Consumer, Private and Business Banking, exposures and collateral monitoring are performed at the counterparty and/or portfolio level across different client segments to ensure transactions and portfolio exposures remain within Risk Appetite. Portfolio delinquency trends are monitored on an ongoing basis. Accounts that are past due (or perceived as high risk but not yet past due) are subject to a collections or recovery process managed by a specialist function independent from the origination function. In some countries, aspects of collections and recovery activities are outsourced. Oversight and assurance are undertaken in risk committees and various governance forums. For discretionary lending portfolios, similar processes as of Commercial client coverage are followed.

In addition, an independent Credit Risk Review team (part of Enterprise Risk Management) performs judgement-based assessments of the Credit Risk profiles at various portfolio levels, with focus on selected countries and segments through deep dives, comparative analysis, and review and challenge of the basis of credit approvals. The review ensures that the evolving Credit Risk profiles of Corporate, Commercial and Institutional Banking and Consumer, Private and Business Banking are well managed within our Risk Appetite and policies through prompt and forward-looking mitigating actions.

Credit rating and measurement
All credit proposals are subject to a robust Credit Risk assessment. It includes a comprehensive evaluation of the client's credit quality, including willingness, ability and capacity to repay. The primary lending consideration is based on the client's credit quality and the repayment capacity from operating cashflows for counterparties; and personal income or wealth for individual borrowers. The risk assessment gives due consideration to the client's liquidity and leverage position. Where applicable, the assessment includes a detailed analysis of the Credit Risk mitigation arrangements to determine the level of reliance on such arrangements as the secondary source of repayment in the event of a significant deterioration in a client's credit quality leading to default.

Risk measurement plays a central role, along with judgement and experience, in informing risk-taking and portfolio management decisions. Since 1 January 2008, we have used the advanced internal ratings-based approach under the Basel regulatory framework to calculate Credit Risk capital requirements. The PLC Group has also established a global programme to undertake a comprehensive assessment of capital requirements necessary to be implemented to meet the latest revised Basel III finalisation (Basel IV) regulations.

A standard alphanumeric Credit Risk grade system is used for Corporate, Commercial and Institutional Banking Client Coverage. The numeric grades run from 1 to 14 and some of the grades are further sub-classified. Lower numeric credit grades are indicative of a lower likelihood of default. Credit grades 1 to 12 are assigned to performing customers, while credit grades 13 and 14 are assigned to non-performing or defaulted customers.

Consumer, Private and Business 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 CPBB credit grades. Risk Decision Framework (RDF) as a credit rating system supports the delivery of optimum risk-adjusted-returns with controlled volatility and is used to define the portfolio/new booking segmentation, shape and decision criteria for unsecured consumer business segment.

Advanced internal ratings-based models cover a substantial majority of our exposures and are used in assessing risks at a customer and portfolio level, setting strategy and optimising our risk-return decisions. Material internal ratings-based risk measurement models are approved by the PLC Group Model Risk Committee. Prior to review and approval, all internal ratings- based models are validated in detail by a model validation team, which is separate from the teams that develop and maintain the models. Models undergo annual validation by an independent 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 clients 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 Standard Chartered Bank Executive Risk Committee and Court Risk Committees.

Credit impairment

Expected credit losses (ECL) are determined for all financial assets that are classified as amortised cost or fair value through other comprehensive income. ECL is computed as an unbiased, probability-weighted provision determined by evaluating a range of plausible outcomes, the time value of money, and forward-looking information such as critical global or country-specific macroeconomic variables. For more detailed information on macroeconomic data feeding into IFRS 9 ECL calculations, please refer to page 99.

At the time of origination or purchase of a non-credit- impaired financial asset (stage 1), ECL represent cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. ECL continue to be determined on this basis until there is a significant increase in the Credit Risk of the asset (stage 2), in which case an ECL is recognised for default events that may occur over the lifetime of the asset. If there is observed objective evidence of credit impairment or default (stage 3), ECL continue to be measured on a lifetime basis.

In Corporate, Commercial and Institutional Banking Client Coverage, a loan is considered credit- impaired where analysis and review indicate that full payment of either interest or principal, including the timeliness of such payment, is questionable, or as soon as payment of interest or principal is 90 days overdue. These credit-impaired accounts are managed by our specialist recovery unit (GSAM). Where appropriate, non-material credit-impaired accounts are co-managed with the business under the supervision of GSAM.

In Consumer, Private and Business 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 it meets certain threshold conditions which are set at the point where empirical evidence suggests that the client is unlikely to meet their contractual obligations, or a loss of principal is expected.

Estimating the amount and timing of future recoveries involves significant judgement and considers the assessment of matters such as future economic conditions and the value of collateral, for which there may not be a readily accessible market. The total amount of the Group's impairment provision is inherently uncertain, being sensitive to changes in economic and credit conditions across the regions in which the Group operates. For further details on sensitivity analysis of expected credit losses under IFRS 9, please refer to page 102.

Stress testing

Stress testing is a forward-looking risk management tool that constitutes a key input into the identification, monitoring and mitigation of Credit Risk, as well as contributing to Risk Appetite calibration. Periodic stress tests are performed on credit portfolios/segments to anticipate vulnerabilities from stressed conditions and initiate timely right-sizing and mitigation plans. Additionally, multiple enterprise-wide and country-level stress tests are mandated by regulators to assess the ability of the PLC Group and its subsidiaries to continue to meet their capital requirements during a plausible, adverse shock to the business. These regulatory stress tests are conducted in line with the principles stated in the Enterprise Stress Testing Policy. The Group relies on these stress tests to understand the Group level vulnerabilities given the significant overlap between Group and PLC Group credit risk profile.

Traded Risk

The Group defines Traded Risk as the potential for loss resulting from activities undertaken by the Group in financial markets

Risk Appetite Statement

The Group should control its trading portfolio and activities to ensure that Traded Risk losses (financial or reputational) do not cause material damage to the Group's or PLC Group's franchise.

The Company addendum to the Traded Risk Type Framework (TRTF) brings together all risk sub-types exhibiting risk features common to Traded Risk. These risk sub-types include Market Risk, Counterparty Credit Risk and Algorithmic Trading. Traded Risk Management (TRM) is the core risk management function supporting market-facing businesses, specifically Financial Markets and Treasury.

Roles and responsibilities

The Company addendum to the TRTF, which sets the roles and responsibilities in respect of Traded Risk for the Group, is owned by the Global Head, Traded Risk Management. The business, acting as first line of defence, is responsible for the effective management of risks within the scope of its direct organisational responsibilities set by the Court. The TRM function is the second-line control function that performs independent challenge, monitoring and oversight of the Traded Risk management practices of the first line of defence. The first and second lines of defence are supported by the organisation structure, job descriptions and authorities delegated by Traded Risk control owners.

Mitigation

We apply the PLC Group policies for management of Traded Risk

The Group controls its trading portfolio and activities within Risk Appetite by assessing the various Traded Risk factors. These are captured and analysed using proprietary analytical tools, in addition to risk managers' specialist market and product knowledge.

The Group's Traded Risk exposure is aligned with its Risk Appetite for Traded Risk, and assessment of potential losses that might be incurred by the Group as a consequence of extreme but plausible events.

All businesses incurring Traded Risk must be in compliance with the TRTF. The Company addendum to the TRTF requires that Traded Risk limits are defined at a level appropriate to ensure that the Group remains within Traded Risk Appetite.

The Company addendum to the TRTF, and underlying policies and standards ensure that these Traded Risk limits are implemented. All Traded Risk exposures throughout the Group aggregate up to TRM's Group-level reporting. This aggregation approach ensures that the limits structure across the Group is consistent with the Group's Risk Appetite.

The Company addendum to the TRTF and Enterprise Stress Testing Policy ensure that adherence to stress-related Risk Appetite metrics is achieved. Stress testing aims at supplementing other risk metrics used within the Group by providing a forward-looking view of positions and an assessment of their resilience to stressed market conditions. Stress testing is performed on all Group businesses with Traded Risk exposures, either where the risk is actively traded or where material risk remains. This additional information is used to inform the management of the Traded Risk taken within the Group. The outcome of stress tests is discussed across the various business lines and management levels so that existing and potential risks can be reviewed, and related management actions can be decided upon where appropriate.

Governance committee oversight

At Court level, the Court Risk Committee oversees the effective management of Traded Risk. At the executive level, the Standard Chartered Bank Executive Risk Committee is responsible for the governance and oversight of Traded Risk for the Group, and relies on other key PLC Group committees for the management of Traded Risk – in particular CCIBRC and Model Risk Committee. Where Traded Risk limits are set at a country level, committee governance is:

- Subsidiary authority for setting Traded Risk limits, where applicable, is delegated from the local board to the local risk committee, Country Chief Risk Officer and Traded Risk managers.
- Branch authority for setting Traded Risk limits remains with TRM which retains responsibility for monitoring and reporting excesses.

Decision-making authorities and delegation

The Group's Risk Appetite Statement, along with the key associated Risk Appetite metrics, is approved by the Court.

The Group Chief Risk Officer delegates authority for all Traded Risk limits to the TRTF Owner (Global Head, TRM) who in turn delegates approval authorities to individual Traded Risk managers.

Additional limits are placed on specific instruments, positions, and portfolio concentrations where appropriate. Authorities are reviewed at least annually to ensure that they remain appropriate and to assess the quality of decisions taken by the authorised person. Key risk-taking decisions are made only by certain individuals with the skills, judgement and perspective to ensure that the Group's control standards and risk-return objectives are met. Authority delegators are responsible for monitoring the quality of the risk decisions taken by their delegates and the ongoing suitability of their authorities.

Market Risk

The Group uses a Value at Risk (VaR) model to measure the risk of losses arising from future potential adverse movements in market rates, prices and volatilities. VaR is a quantitative measure of Market Risk that applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcomes.

For day-to-day risk management, VaR is calculated as at the close of business, generally at UK time for expected market movements over one business day and to a confidence level of 97.5 per cent. Intra-day risk levels may vary from those reported at the end of the day.

The Group applies two VaR methodologies:

- Historical simulation: this involves the revaluation of all existing positions to reflect the effect of historically observed changes in Market Risk factors on the valuation of the current portfolio. This approach is applied for general Market Risk factors and the majority of specific (credit spread) risk VaRs
- Monte Carlo simulation: this methodology is similar to historical simulation but with considerably more input risk factor observations. These are generated by random sampling techniques, but the results retain the essential variability and correlations of historically observed risk factor changes. This approach is applied for some of the specific (credit spread) risk VaRs in relation to idiosyncratic exposures in credit markets

A one-year historical observation period is applied in both methods.

As an input to regulatory capital, trading book VaR is calculated for expected movements over 10 business days and to a confidence level of 99 per cent. Some types of Market Risk are not captured in the regulatory VaR measure, and these Risks-not-in-VaR (RNIVs) are subject to capital add-ons.

Counterparty Credit Risk

The Counterparty Credit Risk arising from activities in financial markets is in scope of the Risk Appetite set by the Group for Traded Risk.

The Group uses a Potential Future Exposure (PFE) model to measure the credit exposure arising from the positive mark-to-market of traded products and future potential movements in market rates, prices and volatilities. PFE is a quantitative measure of Counterparty Credit Risk that applies recent historical market conditions to estimate the potential future credit exposure that will not be exceeded in a set time period at a confidence level of 97.5 per cent.

PFE is calculated for expected market movements over different time horizons, based on the tenor of the transactions.

The Group applies two PFE methodologies, simulation-based, which is predominantly used, and an add-on based PFE methodology.

Monitoring

TRM monitors the overall portfolio risk and ensures that it is within specified limits and therefore Risk Appetite. Limits are typically reviewed twice a year.

Most of the Traded Risk exposures are monitored daily against approved limits. Traded Risk limits apply at all times, unless separate intra-day limits have been set. Limit excess approval decisions are based on an assessment of the circumstances driving the excess and of the proposed remediation plan.

Limits and excesses can only be approved by a Traded Risk manager with the appropriate delegated authority.

TRM reports and monitors limits applied to stressed exposures. Stress scenario analysis is performed on all Traded Risk exposures in financial markets and in portfolios outside financial markets such as syndicated loans and principal finance. Stress loss excesses are discussed with the business and approved where appropriate, based on delegated authority levels.

Stress testing

The VaR and PFE measurements are complemented by weekly stress testing of Market Risk and Counterparty Credit Risk to highlight the potential risk that may arise from severe but plausible market events.

Stress testing is an integral part of the Traded Risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress testing methodology is applied to trading and non- trading books. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs.

Regular stress test scenarios are applied to interest rates, credit spreads, exchange rates, commodity prices and equity prices. This covers all asset classes in the Financial Markets and Treasury books. Ad hoc scenarios are also prepared, reflecting specific market conditions and for particular concentrations of risk that arise within the business.

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The TRM function reviews stress testing results and, where necessary, enforces reductions in overall Traded Risk exposures. The Standard Chartered Bank Executive Risk Committee considers the results of stress tests as part of its supervision of Risk Appetite.

Where required, PLC Group and business-wide stress testing will be supplemented by entity stress testing at a country level. This stress testing is coordinated at the country level and subject to the relevant local governance.

Treasury Risk

Treasury Risk is formed of Capital and Liquidity Risk, and Interest Rate Risk in the Banking Book. Capital Risk is the potential for an insufficient level, composition or distribution of capital, own funds and eligible liabilities to support our normal activities. Liquidity Risk is the risk that we may not have sufficiently stable or diverse sources of funding to meet our obligations as they fall due. Interest Rate Risk in the Banking Book is the potential for a reduction in earnings or economic value due to movements in interest rates on banking book assets, liabilities, and off-balance sheet items.

Risk Appetite Statement

Individual regulated entities within the Group should maintain a strong capital and liquidity position and meet their minimum capital and liquidity requirements.

Roles and responsibilities

The Global Head, Enterprise Risk Management is the Risk Framework Owner for Treasury Risk under the Risk Management Framework.

The Group Treasurer is supported by teams in Treasury and Finance to implement the Treasury Risk Type Framework as the first line of defence, and is responsible for managing Treasury Risk.

From 2022, the second line of defence responsibility for Pension risk sub-type will move from Traded Risk to Treasury Risk and the risk will be governed under the Treasury Risk Type Framework.

Mitigation

We apply the PLC Group policies for the management of material Treasury risks and closely monitor our risk profile through Risk Appetite metrics set at Solo and country level.

Capital Risk

In order to manage Capital Risk, strategic business and capital plans are drawn up covering a five-year horizon and are approved by the Court annually. The capital plan ensures that adequate levels of capital, including loss-absorbing capacity, and an efficient mix of the different components of capital are maintained to support our strategy and business plans.

Treasury is responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

Solo level Risk Appetite metrics including capital and minimum requirement for own funds and eligible liability (MREL) are assessed within the Corporate Plan to ensure that our business plan can be achieved within risk tolerances.

Structural FX Risk

The Group's structural position results from the Company's non-US dollar investment in the share capital and reserves of subsidiaries and branches. The FX translation gains, or losses are recorded in the Company's translation reserves with a direct impact on the PLC Group and Solo's Common Equity Tier 1 ratio.

Structural FX position is monitored and managed at PLC Group level as part of overall PLC Group foreign exchange exposure.

Liquidity and Funding Risk

At Solo and country level we implement various risk appetite metrics and monitor these against limits and management action triggers. This ensures that the Group entities maintain an adequate and well-diversified liquidity buffer, as well as a stable funding base, and that they meet their liquidity and funding regulatory requirements.

Interest Rate Risk in the Banking Book

This risk arises from differences in the repricing profile, interest rate basis, and optionality of banking book assets, liabilities and off-balance sheet items. IRRBB represents an economic and commercial risk to the Group and its capital adequacy.

Recovery and Resolution Planning

In line with PRA requirements, the PLC Group maintains a Recovery Plan which is a live document to be used by management in the event of stress in order to restore the PLC Group to a stable and sustainable position. The Recovery Plan includes a set of Recovery Indicators, an escalation framework, and a set of management actions capable of being implemented in a stress. A Recovery Plan is also maintained within each major entity including those under Solo, and all recovery plans are subject to periodic fire-drill testing. The Group follows the PLC Group's Recovery Plan.

As the UK resolution authority, the Bank of England (BoE) is required to set a preferred resolution strategy for the PLC Group. The BoE's preferred resolution strategy is whole PLC Group single point of entry bail-in at the ultimate holding company level (Standard Chartered PLC) and would be led by the BoE as the PLC Group's home resolution authority. In support of this strategy, the PLC Group has been developing a set of capabilities, arrangements and resources to achieve the required outcomes. The PLC Group expects to disclose a summary of its preparations in 2022, alongside a public statement from the BoE on the resolvability of each in-scope firm.

Governance committee oversight
At Court level, the Court Risk Committee oversees the effective management of Treasury Risk. At the executive level, the Solo & Standard Chartered Bank UK (Branch) Asset and Liability Management Committee ensures the effective management of risk throughout the Group in support of the Group's strategy, guides the Group's strategy on balance sheet optimisation and ensures that the Group operates within the internally approved Risk Appetite and other internal and external treasury requirements. Regional and country oversight resides with regional and country Asset and Liability Committees. Regions and countries must ensure that they remain in compliance with PLC Group Treasury policies and practices, as well as local regulatory requirements.

Decision-making authorities and delegation
The Group Chief Financial Officer has responsibility for capital, funding and liquidity under the Senior Managers Regime. The Group Chief Risk Officer has delegated the Risk Framework Owner responsibilities associated with Treasury Risk to the Global Head, Enterprise Risk Management. The Global Head, Enterprise Risk Management delegates second-line oversight and challenge responsibilities to relevant and suitably qualified Treasury Chief Risk Officer and Country Chief Risk Officers.

Monitoring
On a day-to-day basis, the management of Treasury Risk is performed by the Group Treasurer, Country Chief Executive Officer and Treasury Markets. The Group regularly reports and monitors Treasury Risk inherent in its business activities and those that arise from internal and external events.

Internal risk management reports covering the balance sheet and the capital and liquidity position are presented to the Solo & Standard Chartered Bank UK (Branch) Asset and Liability Management 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 balance sheet.

In addition, an independent Treasury Chief Risk Officer as part of Enterprise Risk Management reviews the prudency and effectiveness of Treasury Risk management.

Stress Testing
Stress testing and scenario analysis are an integral part of the Treasury Risk framework and are used to ensure that the PLC Group and Solo's internal assessment of capital and liquidity considers the impact of extreme but plausible scenarios on its risk profile. A number of stress scenarios, some designed internally, some required by regulators, are run periodically.

They provide an insight into the potential impact of significant adverse events on the PLC Group and Solo's capital and liquidity position and how this could be mitigated through appropriate management actions to ensure that the PLC Group and Solo remain within the approved Risk Appetite and regulatory limits.

Daily liquidity stress scenarios are also run to ensure that the PLC Group and Solo hold sufficient high-quality liquid assets to withstand extreme liquidity events. The Group relies on these stress tests to understand the Group level vulnerabilities given the significant overlap between the Group and PLC Group's Treasury Risk.

Operational and Technology Risk

The Group defines Operational and Technology Risk as the potential for loss resulting from inadequate or failed internal processes, technology events, human error or from the impact of external events (including legal risks)

Risk Appetite Statement
The Group aims to control operational and technology 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 or PLC Group's franchise

Roles and responsibilities
The Company addendum to the Operational and Technology Risk Type Framework (O&T RTF) sets the roles and responsibilities in respect of Operational Risk for the Group, and is owned by the Global Head of Risk, Functions and Operational Risk (GHRFOR). This framework collectively defines the Group's Operational Risk sub-types which have not been classified as Principal Risk Types (PRTs) and sets standards for the identification, control, monitoring and treatment of risks. These standards are applicable across all PRTs and risk sub-types in the O&T RTF. These risk sub-types relate to execution capability, governance, reporting and obligations, legal enforceability, and operational resilience (including client service, change management, people management, safety and security, and technology risk).

The O&T RTF reinforces clear accountability for managing risk throughout the PLC Group and delegates second line of defence responsibilities to identified subject matter experts. For each risk sub-type, the expert sets policies and standards for the organisation to comply with, and provides guidance, oversight and challenge over the activities of the PLC Group. They ensure that key risk decisions are only taken by individuals with the requisite skills, judgement, and perspective to ensure that the PLC Group's risk-return objectives are met.

Mitigation
The Company addendum to the O&T RTF sets out the Group's overall approach to the management of Operational Risk in line with the Group's Operational and Technology Risk Appetite. This is supported by Risk and Control Self-Assessment (RCSA) which defines roles and responsibilities for the identification, control and monitoring of risks (applicable to all PRTs and risk sub-types).

The RCSA is used to determine the design strength and reliability of each process, and requires:

- the recording of processes run by client segments, products, and functions into a process universe
- the identification of potential breakdowns to these processes and the related risks of such breakdowns
- an assessment of the impact of the identified risks based on a consistent scale
- the design and monitoring of controls to mitigate prioritised risks
- assessments of residual risk and timely actions for elevated risks.

Risks that exceed the Group's Operational and Technology Risk Appetite require treatment plans to address underlying causes.

Governance committee oversight
At Court level, the Court Risk Committee oversees the effective management of Operational Risk. At the executive level, the Standard Chartered Bank Executive Risk Committee is responsible for the governance and oversight of Operational Risk for the Group, monitors the Group's Operational and Technology Risk Appetite and relies on other key PLC Group committees for the management of Operational Risk in particular the PLC Group Non-Financial Risk Committee (GNFRC).

Regional business segments and functional committees also provide enterprise oversight of their respective processes and related operational risks. In addition, Country Non-Financial Risk Committees (CNFRCs) oversee the management of Operational Risk at the country (or entity) level. In smaller countries, the responsibilities of the CNFRC may be exercised directly by the Country Risk Committee (for branches) or Executive Risk Committee (for subsidiaries).

Decision-making authorities and delegation
The Company addendum to the O&T RTF is the formal mechanism through which the delegation of Operational Risk authorities is made. The GHRFOR places reliance on the respective Senior Managers who are outside the Risk function for second-line oversight of the risk sub-types through this Company addendum. The Senior Managers may further delegate their second-line responsibilities to designated individuals at a global business, product and function level, as well as regional or country level.

Monitoring
To deliver services to clients and to participate in the financial services sector, the Group runs processes which are exposed to operational risks. The Group prioritises and manages risks which are significant to clients and to the financial services sectors. Control indicators are regularly monitored to determine the residual risk the Group is exposed to.

The residual risk assessments and reporting of events form the Group's Operational Risk profile. The completeness of the Operational Risk profile ensures appropriate prioritisation and timeliness of risk decisions, including risk acceptances with treatment plans for risks that exceed acceptable thresholds.

The Court is informed on adherence to Operational and Technology 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 and Technology Risk Appetite metrics are consolidated on a regular basis and reported to the Standard Chartered Bank Executive Risk Committee and Court Risk Committee. This provides senior management with the relevant information to inform their risk decisions.

Stress testing
Stress testing and scenario analysis are used to assess capital requirements for operational risks. This approach considers the impact of extreme but plausible scenarios on the PLC Group's Operational Risk profile. A number of scenarios have been identified to test the robustness of the PLC Group's processes and assess the potential impact on the PLC Group. These scenarios include anti-money laundering, sanctions, as well as information and cyber security. The Group relies on these stress tests to understand the Group-level vulnerabilities given the significant overlap between the Group and PLC Group operational risk profile.

Information and Cyber Security Risk
The Group defines Information and Cyber Security Risk as the risk to the Group's assets, operations and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems.

Risk Appetite Statement
The Group seeks to minimise ICS risk from threats to the Group's most critical information assets and systems, and has a low appetite for material incidents affecting these or the wider operations and reputation of the Group.

Roles and responsibilities
The Company addendum to the PLC Group's Information and Cyber Security Risk Type Framework (ICS RTF) defines the roles and responsibilities of first and second lines of defence in managing and governing ICS Risk respectively across the Group with emphasis on business ownership and individual accountability.

The Group Chief Operating Officer has overall first line of defence responsibility for ICS Risk and holds accountability for the Group's ICS strategy. The Group Chief Information Security Officer (CISO) leads the development and execution of the ICS strategy.

The Group Chief Information Security Risk Officer (CISRO) function within Group Risk, led by the Group CISRO, operates as the second line of defence and sets the strategy and methodology for assessing, scoring and prioritising ICS risks across the Group. This function has overall responsibility for governance, oversight and independent challenge of ICS Risk.

Mitigation
The Group applies the PLC Group policies for the management of ICS Risk. ICS Risk is managed through a structured ICS Risk framework comprising a risk assessment methodology and supporting policy, standards and methodologies which are aligned to industry best practice models.

In 2021, the ICS RTF was extended to include ICS end-to-end Risk Management and Governance and an enhanced threat-led risk assessment. The Group CISRO function monitors compliance to the ICS framework through the review of the ICS risk assessments conducted by Group CISO. All key ICS risks, breaches and risk treatment plans are managed under Group CISRO oversight and assurance. ICS Risk posture, Risk Appetite breaches and remediation status are reported at key Group, business, functional and country governance committees.

Governance committee oversight
At Court level, the Court Risk Committee oversees the effective management of ICS Risk. The Standard Chartered Bank Executive Risk Committee is responsible for the governance and oversight of ICS Risk for the Group, and relies on other key PLC Group Committees and fora to ensure effective implementation of the ICS RTF - in particular, the PLC Group Non-Financial Risk Committee and the CyberSecurity Advisory Forum. The Standard Chartered Bank Executive Risk Committee and PLC Group GNFRC are responsible for oversight of ICS Risk posture and Risk Appetite breaches rated very high and high. Sub-committees of the GNFRC have oversight of ICS Risk management arising from business, country and functional areas.

Decision-making authorities and delegation
The Company addendum to the ICS RTF defines how ICS Risk Management will operate within the Group. The Group CISRO delegates authority to designated individuals through the ICS Risk Type Framework, including second-line ownership at a business and function level as well as regional or country level.

The Group CISO is responsible for implementing and operating ICS Security Risk Management within the Group, leveraging business Heads of ICS to extend ICS risk management into the businesses, functions, countries and Information Asset and System owners to comply with the ICS RTF, policy and standards.

Monitoring
The risk assessment is performed by Group CISO to identify key ICS risks, breaches and weaknesses, and to ascertain the severity of the Risk posture.

The Risk postures of all businesses, functions and countries are consolidated to present a holistic Group-level ICS Risk posture for ongoing ICS Risk monitoring.

During these reviews, the status of each risk is assessed to identify any changes to materiality, impact and likelihood, which in turn affects the overall ICS Risk score and rating. Risks which exceed defined thresholds are reviewed with Group CISRO for approval, and escalated to appropriate Group governance committees.

Monitoring and reporting on the ICS Risk Appetite profile ensures that performance which falls outside the approved Risk Appetite is highlighted and reviewed at the appropriate governance committee or authority levels and ensures that adequate remediation actions are in place where necessary.

Stress Testing
The Group's cyber resilience testing approach entails:

- The Group CISRO is responsible for risk based, intelligence led, scenario driven assessments that simulate the actions of real-world cyber adversaries targeting the organisation. This layered testing approach is used to validate the effectiveness of the measures taken to prevent, detect and respond to cyber threats targeting our critical business.
- Group CISO is responsible for supporting control improvement and risk reduction by emulating cyber attacks in collaboration with ICS defence and business-facing teams to enhance the Group's cyber defence capabilities.

The Group relies on these testing to understand Group-level vulnerabilities given the significant overlap between the Group and PLC Group ICS risk profile.

Compliance Risk

The Group defines Compliance Risk as the potential for penalties or loss to the Group or for an adverse impact to our clients, stakeholders or to the integrity of the markets which 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 related to regulatory non-compliance; recognising that whilst incidents are unwanted, they cannot be entirely avoided.

Roles and responsibilities

The Group Head, Conduct, Financial Crime and Compliance (Group Head, CFCC) as Risk Framework Owner for Compliance Risk provides support to senior management on regulatory and compliance matters.

The Company addendum to the PLC Group Compliance RTF sets out the Group's overall approach to the management of Compliance Risk and the roles and responsibilities in respect of Compliance Risk for the Group. All activities that the Group engages in must be designed to comply with the applicable laws and regulations in the countries in which we operate. The CFCC function is the second-line that provides oversight and challenge of the first-line risk management activities that relate to Compliance Risk.

Where Compliance Risk arises, or could arise, from failure to manage another Principal Risk Type or sub-type, the Compliance RTF outlines that the responsibility rests with the respective Risk Framework Owner or control function to ensure that effective oversight and challenge of the first line can be provided by the appropriate second-line function.

Each of the assigned second-line functions has responsibilities including monitoring relevant regulatory developments from Non-Financial Services regulators at both Group and country levels, policy development, implementation, and validation as well as oversight and challenge of first-line processes and controls.

In addition, the Compliance RTF has been simplified in 2021 via rationalization of the Compliance Risk types.

Mitigation

We apply the PLC Group's policies for management of Compliance Risk. The CFCC function develops and deploys relevant policies and standards setting out requirements and controls for adherence by the Group to ensure continued compliance with applicable laws and regulations. Through a combination of standard setting, risk assessment, control monitoring and assurance activities, the Compliance Risk Framework Owner seeks to ensure that all policies are operating as expected to mitigate the risk that they cover. The installation of appropriate processes and controls is the primary tool for the mitigation of Compliance Risk. In this, the requirements of the Operational and Technology Risk Type Framework are followed to ensure a consistent approach to the management of processes and controls. Deployment of technological solutions to improve efficiencies and simplify processes has continued in 2021. These include further expansion of digital chatbots.

Governance committee oversight

At a management level, the Standard Chartered Bank Executive Risk Committee is responsible for the governance and oversight of Compliance Risk, and relies on other key PLC Group level committees for the management of Compliance Risk – in particular, the PLC Group Non-Financial Risk Committee and the Risk and CFCC Non-Financial Risk Committee. Compliance Risk and the risk of non-compliance with laws and regulations resulting from failed processes and controls are overseen by the respective Country, Business, Product and Function Non-Financial Risk Committees including the Risk and CFCC Non- Financial Risk Committee for CFCC owned processes. Relevant matters, as required, are further escalated to the PLC Group Non-Financial Risk Committee and Standard Chartered Bank Executive Risk Committee. The Group also relies on the PLC Group CFCC Oversight Group, while not a formal committee, to provide oversight of CFCC risks including the effective implementation of the Compliance RTF.

At Court level, oversight of Compliance Risk is primarily provided by the Court Audit Committee, and also by the Court Risk Committee for relevant issues.

Decision-making authorities and delegation

The Company addendum to the Compliance Risk Type Framework is the formal mechanism through which the delegation of Compliance Risk authorities is made. The Group Head, CABM has the authority to delegate second-line responsibilities within the CFCC function to relevant and suitably qualified individuals.

Monitoring

The monitoring of controls designed to mitigate the risk of regulatory non-compliance in processes is governed in line with the Operational and Technology Risk Type Framework. The Group has a monitoring and reporting process in place for Compliance Risk, which includes escalation and reporting to Risk and CFCC Non-Financial Risk Committee, PLC Group Non-Financial Risk Committee, Standard Chartered Bank Executive Risk Committee, Court Risk Committee and Court Audit Committee, as appropriate.

Stress testing

Stress testing and scenario analysis are used to assess capital requirements for Compliance Risk and form part of the overall scenario analysis portfolio managed under the Operational and Technology Risk Type Framework. Specific scenarios are developed annually with collaboration between the business, which owns and manages the risk, and the CFCC function, which is second line to incorporate significant Compliance Risk tail events. This approach considers the impact of extreme but plausible scenarios on the PLC Group's Compliance Risk profile. The Group relies on these stress tests to understand the Group-level vulnerabilities given the significant overlap between the Group and PLC Group activities.

Financial Crime Risk

The Group defines Financial Crime Risk as the potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to international sanctions, anti-money laundering, anti-bribery & corruption, and fraud.

Risk Appetite Statement

The Group has no appetite for breaches in laws and regulations related to financial crime, recognising that while incidents are unwanted, they cannot be entirely avoided.

Roles and responsibilities

The Group Head, CFCC has overall responsibility for Financial Crime Risk and is responsible for the establishment and maintenance of effective systems and controls to meet legal and regulatory obligations in respect of Financial Crime Risk. The Group Head, CFCC is the Group's Compliance and Money-Laundering Reporting Officer and performs the Financial Conduct Authority (FCA) controlled function and senior management function in accordance with the requirements set out by the FCA, including those set out in their handbook on systems and controls. As the first line, the business unit process owners have responsibility for the application of policy controls and the identification and measurement of risks relating to financial crime. Business units must communicate risks and any policy non-compliance to the second line for review and approval following the model for delegation of authority.

Mitigation

We apply the four PLC Group policies in support of the Financial Crime Risk Type Framework

- Group Anti-Bribery and Corruption Policy
- Group Anti-Money Laundering and Counter Terrorist Financing Policy
- Group Sanctions Policy
- Group Fraud Risk Management Policy

The PLC Group operates risk-based assessments and controls in support of its Financial Crime Risk programme, including (but not limited to):

- Group Risk Assessment-the PLC Group monitors enterprise-wide Financial Crime Risks through the CFCC Risk Assessment process consisting of Financial Crime Risk and Compliance Risk assessments. The Financial Crime Risk assessment is a PLC Group-wide risk assessment undertaken annually to assess the inherent Financial Crime Risk exposures, and the associated processes and controls by which these exposures are mitigated.
- Financial Crime Surveillance – risk-based systems and processes to prevent and detect financial crime.

The strength of controls is tested and assessed through the PLC Group's Operational and Technology RTF, in addition to oversight by CFCC Assurance and Group Internal Audit.

Governance committee oversight

At Court level, the Court Risk Committee oversees the effective management of Financial Crime Risk. At the executive level, the Standard Chartered Bank Executive Risk Committee is responsible for the governance and oversight of Financial Crime Risk for the Group, and relies on other key PLC Group committees for the management of Financial Crime Risk, in particular the PLC Group Financial Crime Risk Committee and the PLC Group Non-Financial Risk Committee for Fraud Risk. Both committees are responsible for ensuring effective oversight of Operational Risk relating to Financial Crime Risk and Fraud Risk, respectively, throughout the PLC Group.

Decision-making authorities and delegation

The Company addendum to the PLC Group Financial Crime Risk Type Framework is the formal mechanism through which the delegation of Financial Crime Risk authorities is made. The Group Head, CFCC is the Risk Framework Owner for Financial Crime Risk under the Group's Risk Management Framework. Certain aspects of Financial Crime Compliance, second-line oversight and challenge, are delegated within the CFCC function. Approval frameworks are in place to allow for risk-based decisions on client onboarding, potential breaches of sanctions regulation or policy, situations of potential money laundering (and terrorist financing), bribery and corruption or internal and external fraud.

Monitoring

The Group monitors Financial Crime Risk compliance against a set of Risk Appetite metrics that are approved by the Court. These metrics are reviewed periodically and reported regularly to the Standard Chartered Bank Executive Risk Committee and Court Risk Committee.

Stress testing
The assessment of Financial Crime vulnerabilities under stressed conditions or extreme events with a low likelihood of occurring is carried out through enterprise stress testing conducted at PLC Group level. The Group relies on these stress tests to understand the Group level vulnerabilities given the significant overlap between the Group and PLC Group activities.

Model Risk
The Group defines Model Risk as potential loss that may occur as a consequence of decisions or the risk of mis-estimation that could be principally based on the output of models, due to errors in the development, implementation or use of such models.

Risk Appetite Statement
The Group has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models; whilst accepting model uncertainty.

Roles and responsibilities
The Global Head, Enterprise Risk Management is the Risk Framework Owner for Model Risk under the Group's Risk Management Framework. Responsibility for the oversight and implementation of the Model Risk Type Framework is delegated to the Global Head, Model Risk Management.

The PLC Group's Model Risk Type Framework sets out clear accountability and roles for Model Risk management through a three lines of defence model. First-line ownership of Model Risk resides with Model Sponsors, who are the business or function heads and assign a Model Owner for each model. Model Owners mainly represent model developers and users, and are responsible for end-to-end model development, ensuring model performance through regular model monitoring, and communicating model limitations, model assumptions and risks. Model Owners also coordinate the submission of models for validation and approval and ensure appropriate model implementation and use. Second-line oversight is provided by Model Risk Management, which comprises Group Model Validation and Model Risk Policy and Governance.

Group Model Validation independently reviews and grades models, in line with design objectives, business uses and compliance requirements, and highlights identified model risks by raising model related issues. The Model Risk Policy and Governance team provide oversight of Model Risk activities, performing regular Model Risk Assessment and risk profile reporting to senior management.

We will rely on the PLC Group's workplan and embed model risk into the Group's risk management approach accordingly.

Mitigation
We apply the PLC Group policies for Model Risk Management. The Model Risk policy and standards define requirements for model development and validation activities, including regular model performance monitoring. Any model issues or deficiencies identified through the validation process are mitigated through the application of model monitoring, model overlays and/or a model redevelopment plan, which undergo robust review, challenge and approval. Operational controls govern all Model Risk-related processes, with regular risk assessments performed to assess appropriateness and effectiveness of those controls, in line with the Operational and Technology Risk Type Framework, with remediation plans implemented where necessary.

Governance committee oversight
At Court level, the Court Risk Committee exercises oversight of Model Risk within the Group. At the executive level, the Standard Chartered Bank Executive Risk Committee is responsible for the governance and oversight of Model Risk for the Group and relies on other PLC Group committees to ensure effective measurement and management of Model Risk, in particular the Model Risk Committee. Sub-committees such as the Credit Model Assessment Committee and Traded Risk Model Assessment Committee oversee their respective in-scope models and escalate material model risks to the Model Risk Committee. In parallel, business and function-level risk committees provide governance oversight of the models used in their respective processes.

Decision-making authorities and delegation
The Company addendum to the PLC Group Model Risk Type Framework is the formal mechanism through which the delegation of Model Risk authorities is made. The Global Head, Enterprise Risk Management delegates authorities to designated individuals or Policy Owners through the Company addendum to RTF. The Model Risk Committee is responsible for approving models for use. Model approval authority is also delegated to the Credit Model Assessment Committee, Traded Risk Model Assessment Committee and individual designated model approvers for less material models.

Monitoring
The Court approved the Risk Appetite metrics for Model Risk in 2021. Adherence to Model Risk Appetite and any threshold breaches will be reported regularly to the Court Risk Committee and SC Bank Executive Risk Committee. These metrics and thresholds will be reviewed on an annual basis to ensure that threshold calibration remains appropriate and the themes are adequately covering the current risks.

Models undergo regular monitoring based on their level of perceived Model Risk, with monitoring results and breaches presented to Model Risk Management and delegated model approvers. Model Risk Management produces Model Risk reports covering the model landscape, which include performance metrics, identified model issues and remediation plans. These are presented for discussion at the Model Risk governance committees on a regular basis.

Stress testing

Models play an integral role in the PLC Group's stress testing and are rigorously user-tested to ensure that they are fit-for-use under stressed market conditions. Compliance with Model Risk management requirements and regulatory guidelines are also assessed as part of each stress test, with any identified gaps mitigated through model overlays and defined remediation plans.

Reputational & Sustainability Risk

The Group defines Reputational and Sustainability Risk as the potential for damage to the franchise (such as loss of trust, earnings or market capitalisation), because of stakeholders taking a negative view of the Group through actual or perceived actions or inactions, including a failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm through our client, third-party relationships or our own operations.

Risk Appetite Statement

The Group aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight. This includes a potential failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm.

Sustainability Risk continues to be an area of growing importance, driving a need for strategic transformation across business activities and risk management to ensure that we uphold the principles of Responsible Business Conduct and continue to do the right thing for our stakeholders, the environment and affected communities. Throughout 2021, the PLC Group has laid the foundation to integrate Sustainability Risk management for clients, third parties and our operations and continued to invest in infrastructure and technology to keep pace with emerging ESG regulatory obligations and accelerating commitments across our markets.

Roles and responsibilities

The Global Head, Enterprise Risk Management is the Risk Framework Owner for Reputational and Sustainability Risk under the Group's Risk Management Framework.

The responsibility for Reputational and Sustainability Risk management is delegated to Reputational and Sustainability Risk Leads in ERM as well as Chief Risk Officers at region, country and client-business levels. They constitute the second line of defence, overseeing and challenging the first line of defence, which resides with the Chief Executive Officers, Business Heads, Product Heads and Function Heads in respect of risk management activities of reputational and sustainability-related risks respectively. The Environmental and Social Risk Management team (ESRM), which is in the first line of defence, also provides dedicated support on the management of environmental and social risks and impacts arising from the Group's client relationships and transactions.

Mitigation

In line with the principles of Responsible Business Conduct and Do No Significant Harm, the Group deems Reputational and Sustainability Risk to be driven by:

- negative shifts in stakeholder perceptions due to decisions related to clients, products, transactions, third parties and strategic coverage
- potential material harm or degradation to the natural environment (environmental) through actions/inactions of the Group
- potential material harm to individuals or communities (social) risks through actions/inactions of the Group

We apply the PLC Group's policies for management of Reputational and Sustainability Risk. The PLC Group's Reputational Risk policy sets out the principal sources of Reputational Risk driven by negative shifts in stakeholder perceptions as well as responsibilities, control and oversight standards for identifying, assessing, escalating and effectively managing Reputational Risk. The PLC Group takes a structured approach to the assessment of risks associated with how individual client, transaction, product and strategic coverage decisions may affect perceptions of the organisation and its activities, based on explicit principles including, but not limited to gambling, defence and dual use goods. Whenever potential for stakeholder concerns is identified, issues are subject to prior approval by a management authority commensurate with the materiality of matters being considered. Such authorities may accept or decline the risk or impose conditions upon proposals, to protect the PLC Group's reputation.

The PLC Group's Sustainability Risk policy sets out the requirements and responsibilities for managing environmental and social risks for the Group's operations, clients and third parties, as guided by various industry standards such as the OECD's Due Diligence Guidance for Responsible Business Conduct, Equator Principles, UN Sustainable Development Goals and the Paris Agreement.

Through our operations, the PLC Group seeks to minimise its impact on the environment and have targets to reduce energy, water and waste. Clients are expected to adhere to minimum regulatory and compliance requirements, including criteria from the PLC Group's Position Statements. Suppliers must comply with the PLC Group's Supplier Charter which sets out the PLC Group's expectations on ethics, anti-bribery and corruption, human rights, environmental, health and safety standards, labour and protection of the environment.

Governance committee oversight
The PLC's Culture and Sustainability Committee provides oversight across PLC Group for our Sustainability strategy while the Court Risk Committee oversees Reputational and Sustainability Risk as part of the Group RMF. The Standard Chartered Bank Executive Risk Committee provides executive-level committee oversight and relies on other key PLC Group committees for the effective management of Reputational and Sustainability Risk, in particular the PLC Group Responsibility and Reputational Risk Committee (GRRRC), the Sustainable Finance Governance Committee and the PLC Group Non-Financial Risk Committee.

Decision-making authorities and delegation
The Company addendum to the PLC Group's Reputational and Sustainability RTF is the formal mechanism through which the delegation of Reputational and Sustainability Risk authorities is made. The Global Head, Enterprise Risk Management delegates risk acceptance authorities for stakeholder perception risks to designated individuals in the first line and second line or to Committees such as the GRRRC via risk authority matrices.

These risk authority matrices are tiered at country, regional, business segment or Group levels and are established for risks incurred in strategic coverage, clients, products or transactions. For environmental and social risks, the ESRM must review and support the risk assessments for clients and transactions and escalate to the Reputational and Sustainability Risk leads as required.

Monitoring
Reputational and Sustainability Risk policies and standards are applicable to all PLC Group entities. However, local regulators in some markets may impose additional requirements on how banks manage and track Reputational and Sustainability Risk. In such cases, these are complied with in addition to PLC Group policies and standards.

Exposure to stakeholder perception risks arising from transactions, clients, products and strategic coverage are monitored through established triggers outlined in risk materiality matrices to prompt the right levels of risk-based consideration by the first line and escalations to the second line where necessary. Risk acceptance decisions and thematic trends are also being reviewed on a periodic basis.

Exposure to Sustainability Risk is monitored through triggers embedded within the first-line processes where environmental and social risks are considered for clients and transactions via the Environmental and Social Risk Assessments; and considered for vendors in our supply chain through the Modern Slavery questionnaires.

In 2021, the Group has approved new Risk Appetite metrics for Environmental and Social risks. New metrics for modern slavery risks in our supply chain was also introduced at PLC Group level.

Stress testing
Reputational Risk outcomes are taken into account in enterprise stress tests, and incorporated into the PLC Group's stress testing scenarios. For example, the PLC Group might consider what impact a hypothetical event leading to loss of confidence among liquidity providers in a particular market might have, or what the implications might be for supporting part of the organisation in order to protect the brand. As Sustainability Risk continues to evolve as an area of emerging regulatory focus with various markets developing ESG regulatory guidance, we are keeping pace with external developments to enable us to explore meaningful scenario analysis with the aim of advancing Reputational and Sustainability Risk management.

Climate Risk
The Group recognises Climate Risk as an Integrated Risk Type. Climate Risk is defined as the potential for financial loss and non-financial detriments arising from climate change and society's response to it.

Risk Appetite Statement
The Group aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to our own activities and those related to the financing of clients in alignment with the Paris Agreement.

Climate Risk has been recognised by the PLC Group as an emerging risk since 2017 and was elevated to an Integrated Risk Type (previously known as material cross-cutting risk) within the RMF our central risk framework in 2019. The PLC Group has introduced Climate Risk into mainstream risk management in alignment with the Bank of England's Supervisory Statement 3/19 requirements and in 2021 greatly improved our scenario analysis and stress testing abilities to deliver the 2021 Climate Biennial Exploratory Scenario (CBES). However, it is still a relatively nascent risk area which will mature and stabilise over the years to come. We will rely on the PLC Group's workplan and integrate Climate Risk into the Group's risk management approach accordingly.

Roles and responsibilities
The three lines of defence model as per the Group's Risk Management Framework applies to Climate Risk. The Group Chief Risk Officer (GCRO) has the ultimate second-line and senior management responsibility for Climate Risk. The GCRO is supported by the Global Head, Enterprise Risk Management who has day-to-day oversight and central responsibility for second-line Climate Risk activities. As Climate Risk is integrated into the relevant Principal Risk Types (PRTs), second-line responsibilities lie with the Risk Framework Owner (at Group, regional and country level), with subject matter expertise support from the central Climate Risk team.

Mitigation

As an Integrated Risk Type manifests through other PRTs, risk mitigation activities are specific to individual PRTs. The Group has undertaken initial development and integration of Climate Risk into PRT processes. Climate Risk assessments are considered as part of Reputational and Sustainability transaction reviews for clients and transactions in high carbon sectors. We have directly engaged with clients on their adaptation and mitigation plans using client level Climate Risk questionnaires and a first phase of integration into credit decisioning process is underway for CCIB Credit Risk. As part of quarterly credit portfolio reviews in CPBB, physical risk assessments for the residential mortgage portfolios are also being monitored for concentration levels. Within Traded Risk, a physical risk scenario is now part of their stress testing framework. While the focus for Operational and Technology Risk, has been on Resilience and Third-Party Risk management. Relevant policies and standards across PRTs have been updated to factor in Climate Risk considerations and a focus area in 2022 will be to deliver the implementation of these requirements. The Group will adopt changes to the relevant policies and standards across PRTs to factor in climate risk considerations, where applicable, via the Company addenda.

Governance committee oversight

Court-level oversight is exercised through the Court Risk Committee (CRC), and regular Climate Risk updates are provided to the Court and CRC. At the executive level, the Standard Chartered Bank Executive Risk Committee oversees implementation of the Climate Risk workplan and relies on other key PLC Group committees and fora for the management of Climate Risk, including the Climate Risk Management Forum. The Climate Risk Management Forum, appointed by the GCRO, consists of senior representatives from the business, risk, strategy and other functions such as sustainability and legal. The Climate Risk Management Forum meets quarterly to discuss development and implementation of the Climate Risk as it continues moves from development to BAU, and to provide structured governance around engagement with the relevant PRTs impacted by Climate Risk. Through 2022, the PLC Group will strengthen country and regional governance oversight for the Climate Risk profile across our key markets.

Tools and methodologies

Applying existing risk management tools to quantify Climate Risk is challenging given inherent data and methodology challenges, including the need to be forward-looking over long time horizons. To quantify climate physical and transition risk we leverage and have invested in a number of areas, including tools and partnerships at the PLC Group level:

- Munich Re – we are using Munich Re's physical risk assessment tool, which is built on extensive re-insurance experience
- Baringa Partners – we are using Baringa's flagship climate models to understand climate scenarios, and compute transition risk and temperature alignment
- Standard & Poor – we are leveraging S&P and Trucost's wealth of climate data covering asset locations, energy mixes and emissions
- Imperial College – we are leveraging Imperial's academic expertise to advance our understanding of climate science, upskill our staff and senior management, and progress the state of independent research on climate risks with an acute focus on emerging markets

Decision-making authorities and delegation

The Global Head, Enterprise Risk Management is supported by a centralised Climate Risk team within the ERM function. The Global Head, Climate Risk and Net Zero Oversight is responsible for ensuring and executing the delivery of the Climate Risk workplan which will define decision-making authorities and delegations across the PLC Group.

Monitoring

The Climate Risk Appetite Statement is approved and reviewed annually by the Court.

The PLC Group has developed its first-generation Climate Risk reporting and Management Team Level Risk Appetite metrics. The first version of these metrics was shared with the relevant committees as part of the PLC Group Risk Information Report and Board Risk Information Report, respectively, in September 2021. The management information is also being progressively rolled out at the regional and country level and will be considered for roll out at the Group level accordingly.

Stress testing

Climate Risk intensifies over time, and future global temperature rises depend on today's transition pathway. Considering different transition scenarios is crucial to assessing Climate Risk over the next 10, 20 and 50 years. Stress testing and scenario analysis are used to assess capital requirements for Climate Risk and since 2020 physical and transition risks have been included in the PLC Group Internal Capital Adequacy Assessment Process (ICAAP). In 2021, the PLC Group undertook a number of Climate Risk stress tests, including by the Hong Kong Monetary Authority and the Bank of England's Climate Biennial Exploratory Scenario (CBES). This required significant client engagement and helped grow our understanding and management of Climate Risk. We will rely on these stress tests to understand the Group level vulnerabilities given the significant overlap between the Group and PLC Group's activities.

In 2022, the PLC Group intends to develop management scenarios, strengthening business strategy and financial planning and supporting the PLC Group's net zero journey.

Details on the PLC Group's Taskforce on Climate-related Financial Disclosures can be found on sc.com/tcfd

Emerging Risks

In addition to our Principal Risk Types that we manage in line with the PLC Group Risk Type Frameworks, policies and the Court approved Risk Appetite, we also maintain an inventory of emerging risks. Emerging risks refer to unpredictable and uncontrollable events with the potential to materially impact our business. These include near-term risks that are on the horizon and can be measured or mitigated to some extent, as well as longer-term uncertainties that are on the radar but not yet fully measurable.

In 2021, we undertook a thorough review of our Emerging Risks, using the approach described in the Risk Management Framework section (page 122 to 128). The key results of the review are detailed below.

Key changes to our emerging risks:
The following items have been removed as emerging risks:

- 'Middle East geopolitical tensions' – The risk has been removed as the immediate impact to the Group's credit portfolio is manageable
- 'Interbank Offered Rate discontinuation and transition' – This risk has been removed given the PLC Group has a well-established global IBOR Transition Programme to consider all aspects of the transition and how risks from the transition can be mitigated

The following items have been amended or added as new emerging risks:

- 'Crystallisation of inflation fears' - Interest rates have already increased or are likely to rise in several countries as central banks respond to inflationary pressure. Drivers of price increases include shortages of materials and labour, increased demand as economic recoveries take hold and long-term monetary stimulus, with growing acceptance that the inflationary shock will last longer than initially expected
- 'Energy security' - Increased industrial demand and accelerated transitions to cleaner energy sources have put a strain on supply lines. This has increased tensions between nations as power shifts towards energy exporters, and energy security becomes questionable across developed markets and emerging markets alike. A lack of investment by oil producers as we transition could also lead to an increase in oil prices in the short term
- 'Supply chain dislocations' - Global supply chains have been disrupted both by COVID-19 lockdowns and deglobalisation. As economies recover there are shortages in some key source materials and delivery delays which are affecting many industries' ability to meet the rapid increase in demand
- 'Expanding stakeholder expectations for environmental, social and corporate governance (ESG)' – Added as an emerging risk to reflect the broader sustainability agenda of the Group and capture ESG concerns beyond Climate Risk such as biodiversity loss and depletion of natural resources, which are increasing areas of focus for regulators, investors and non-governmental organisations. The speed of transition to meet the requirements could be faster in developed markets
- 'Expanding array of global tensions' – Expanded to cover a proliferation of global political and economic agenda items that create disruption and potential flashpoints between countries. These are reshaping global political alliances and disrupting traditional economic corridors
- 'Adapting to endemic COVID-19 and a K-shaped recovery' - Encapsulates the shift towards living with COVID-19 and what the new post-COVID normal will look like. Varying vaccination rates and levels of economic stimulus have widened the recovery gap and threatened a K-shaped global recovery, where countries and sectors recover at different rates depending on their ability to adapt to a post-COVID world
- 'New business structures, channels and competition' - Reflects the linkage between the Group's increasing reliance on partnerships and alliances in exploring new technologies and digital enhancement, and the heightened risks that are intrinsically linked to such activities. Digital assets are also covered within this emerging risk
- 'Talent pools of the future' – Expanded to consider the risks of widening skills gaps and shifting expectations of the future workforce, beyond just the practical challenges of increased remote working

Our list of emerging risks, based on our current knowledge and assumptions, is set out below, with our subjective assessment of their impact, likelihood and velocity of change. This reflects the latest internal assessment of material risks that the Group faces as identified by senior management. This list is not designed to be exhaustive and there may be additional risks which could materialise or have an adverse effect on the Group.

Our mitigation approach for these risks may not eliminate them but shows the Group's attempt to reduce or manage the risk. As certain risks develop and materialise over time, management will take appropriate steps to mitigate the risk based on its impact on the Group.

Geopolitical considerations (Risk ranked according to severity)

Emerging Risk	Risk trend since 2020[1]	Context	How these are mitigated/next steps
Expanding array of global tensions[2] Potential impact: **High** Likelihood: **Medium** Velocity of change: **Moderate**	↑	• Relations between China and the West remain fragile. The US and China are engaged in a security competition that has ramifications across many aspects of their complex interdependencies • There has also been increasing volatility within China, with turbulence in the property development sector and targeted legislation for specific industries such as education, technology and real estate, which could have spillover effects into other markets given the size of China's economy • Tensions are also increasing regarding Russia's presence on the Ukrainian border. Although the Group's exposure to the region is limited, the potential impact on the rest of the world from economic or military action could be significant, and cause further fractures between East and West • In addition, tensions are rising between historic allies within NATO and the G7, around flashpoints such as the withdrawal from Afghanistan, the launch of AUKUS, and tensions on the Korean peninsula. These may intensify with elections due in some major countries in 2022 • Areas of collaboration exist – such as agreements made at the COP26 climate summit – but there are a number of issues that remain, including public health and safety, trade, national security, sovereignty, and territorial disputes • A focus on domestic recovery in the wake of COVID-19 has led to protectionist policies and disruption to global supply chains • Some governments have used the pandemic as an opportunity to consolidate power, which could lead to further tension and potential retaliatory actions • Increased demand has created shortages in some key sectors, such as electronics and energy, which could tip the balance of power towards producers. Investment in local technological infrastructure has become a key focus to reduce dependence on external counterparties and ensure national security • The PLC Group, with its notable exposure and presence in China, faces a high risk of being caught in the crossfire of escalating geopolitical tensions between the East and West • The Group also derives significant revenues from supporting cross-border trade and material offshore support operations	• Sharp slowdowns in the US, China, and more broadly, world trade and global growth are a feature of PLC Group, Solo and country level stress scenarios. The Group relies on these stress tests to assess key Group level vulnerabilities and to be able to implement timely interventions. • Detailed portfolio reviews are conducted at a PLC Group, country and business level on an ongoing basis, most recently regarding increasing tensions around Ukraine, and action is taken where necessary • We are closely monitoring the China-G7 relationship and assessing the impact on our business with teams in the first and second line of defence • We remain vigilant in monitoring geopolitical relationships • Increased scrutiny is applied when onboarding clients in sensitive industries and in ensuring compliance with sanctions requirements
Energy security Potential impact: **High** Likelihood: **Medium** Velocity of change: **Fast**	↑	• Increased demand for energy, bottlenecks in the production of renewables and pressure to accelerate the transition to new clean sources are driving an emerging energy supply shortage, causing price inflation and exacerbating disruptions in global supply chains • Emerging markets which rely on imports of energy risk being disadvantaged due to the massive energy needs required to develop • Developed nations also face a trade-off, as pressure to adopt clean energy has constrained their ability to rely on traditional sources to meet demand, likely leading to significant price volatility until production capacity for renewable sources is sufficient to meet the energy gap • There are increasing geopolitical tensions as the balance of power shifts towards energy exporters. The reluctance of some nations to commit to climate goals also adds to pressure for a global transition, and the political advantage accruing to traditional oil-producing nations may further complicate the goals of a net zero economy	• The Group relies on stress tests conducted at a PLC Group, Solo and country level, where an oil shock scenario was developed • Sovereign ratings, outlooks and country risk limits are regularly monitored with periodic updates to senior stakeholders • The PLC Group is implementing a Climate Risk work plan and aims to embed climate risks across all relevant principal risks in 2022. This includes scenario analysis and stress testing capability to understand financial risks and opportunities from climate change

1 The risk trend refers to the overall risk score trend, which is a combination of potential impact, likelihood and velocity of change

2 This theme was previously covered under 'US-China trade tensions driven by geopolitics and trade imbalance'

Macroeconomic considerations (Risk ranked according to severity)

Emerging Risk	Risk trend since 2020[1]	Context	How these are mitigated/next steps
Crystallisation of inflation fears[3] Potential impact: **High** Likelihood: **High** Velocity of change: **Moderate**		• In the second part of 2021 several key developed economies experienced rates of inflation that far exceeded central bank forecasts. Several central banks have acknowledged their surprise and altered their stance on monetary policy, starting to raise rates or signalling their willingness to do so • There is a risk that the confluence of supply and demand pressures could have effects on inflation that are longer-lasting than expected • The easing of COVID-19 restrictions has created a demand surge in developed markets economies that have reopened, and labour supply shortages have compounded price pressures • There is still a lack of firm consensus within the industry on some key inflation questions, such as whether it is transitory or unlikely to ease in the near future, caused by excess demand or limited supply, and whether it is limited to specific industries or a general problem for the economy. Rising interest rates also introduce a risk of a stagflation in 2022 where economic growth is muted but inflation persists • It is possible that monetary policy tightening in Western countries could lead to a depreciation in emerging markets currencies versus the US dollar, increasing debt refinancing costs for emerging market economies. Sharp increases in the price of energy and agricultural products also pose risks to emerging markets that will face higher import costs, feeding into higher domestic inflation • The prices of risky financial assets have been artificially supported through the crisis following multi-trillion dollar central bank asset purchases and record low interest rates. As fiscal and monetary support is withdrawn and countries start to raise interest rates, there is an elevated risk of widespread price corrections	• The Group relies on stress tests conducted at a PLC Group, Solo and country level to assess the impact of a severe stress in the global economy associated with a sharp slow-down • Both PLC Group-wide management and Traded Risk scenarios are being developed to examine the impact of a rapid build-up in inflationary pressures around the world. • Sovereign ratings, outlooks and Country Risk limits are regularly monitored with periodic updates to senior stakeholders

3 This theme was previously covered under 'Unintended consequences of accommodative monetary policy and the risk of asset bubbles and inflation'

Emerging Risk	Risk trend since 2020[1]	Context	How these are mitigated/next steps
Adapting to endemic COVID-19 and a K-shaped recovery[4,5] Potential impact: **High** Likelihood: **High** Velocity of change: **Moderate**		• Countries with high vaccination rates are moving towards accepting COVID-19 as endemic. Nevertheless, domestic policies on managing the spread of the virus differ vastly among nations, and the longer-term impacts (including health and mental wellbeing) are still uncertain • The effectiveness of vaccines is confirmed to diminish after several months, thus the policy response to new waves of infection or new variants tends to quickly revert to forms of restriction, including lockdowns, as seen with the recent Omicron variant • COVID-19 continues to disrupt economies, however another notable emerging effect is on politics. The COVID-19 theme is increasingly inter-woven with both domestic social unrest and the geopolitical agenda • Differences in the pace and scale of vaccine rollouts and disparities in financial resources have widened the recovery gap and threaten a K-shaped global recovery, where countries or sectors recover at a different rate depending on their ability to adapt to a post-COVID world • Emerging markets have lagged behind in their ability to combat the pandemic which may result in longer-term economic scarring. There has been limited fiscal stimulus for the third world, and short-term support may take precedence over longer-term structural transformation, which is especially relevant for the Group's footprint • Deeper structural transformations of traditional economic systems are being observed. A shift in priorities, particularly among younger generations, may lead to fundamental changes in the workforce, including a permanent drop in the labour supply and a desire to move away from traditional industries. Vaccine mandates are causing domestic tensions, and may lead to labour shortages in some states or industries • There is a risk that further variants or other diseases may emerge	• A severe stress in the global economy associated with a sharp slow-down is a feature of the stress tests conducted at a PLC Group, Solo and country level • Sensitive sectors (e.g. aviation and hospitality) are regularly reviewed and exposures to these sectors are actively managed as part of Credit Risk reviews • Exposures that could result in material credit impairment charges and risk weighted asset inflation under stress tests are regularly reviewed and actively managed • The Group's priority remains the health and safety of our clients and employees and continuation of normal operations by leveraging our robust Business Continuity Plans which enable the majority of our colleagues to work remotely where possible
Supply chain dislocations[6] Potential impact: **High** Likelihood: **Medium** Velocity of change: **Moderate**		• The emergence of supply chain disruptions can be attributed to a combination of demand and supply factors, some of which may prove to be transitory while others remain more entrenched. A key risk is that supply chain disruptions raise inflation expectations on a sustained basis, prompting central banks to tighten monetary policy • Pandemic-related changes, such as a surge in demand for electronics and furniture, has resulted in a rundown of inventories. Furthermore, the shift towards online shopping tends to be more import intensive and Asia-focused, thereby exacerbating shipping backlogs • Severe weather events have caused a reduction in supplies of natural gas and some agricultural products. Supply of goods such as semi-conductors has also been hampered by labour lockdowns and shortages, licensing regulations and backlogs at ports • As well as disruption to existing chains, there may be a fundamental shift in the supply chains in the future. Companies may be required to set up parallel supply chains as contingencies, as well as moving production closer to the end user. Some of this may also be mandated by protectionist policies which drive fragmentation for strategic industries	• Exposures that may result in material credit impairment and increased risk-weighted assets are closely monitored and actively managed • Sectors which exhibit high supply chain pressure and vulnerability (e.g. electronics) are regularly reviewed and exposures to these sectors are actively managed as part of Credit Risk reviews • We actively utilise Credit Risk mitigation techniques including credit insurance and collateral

4 A K-shaped global recovery occurs when countries or sectors recover at different rates following a recession

5 This theme was previously covered under 'The COVID-19 outbreak and the emergence of new diseases'

6 This theme was previously covered under 'Rise of populism and nationalism driven by unemployment and a shift in global supply chains'

Emerging Risk	Risk trend since 2020[1]	Context	How these are mitigated/next steps
Emerging markets sovereign risk[7] Potential impact: **Medium** Likelihood: Medium Velocity of change: **Moderate**	<>	• COVID-19, and the response to it, have exacerbated already deteriorating market conditions, causing liquidity and potentially solvency issues for a number of the world's poorest countries • Declining government revenue combined with higher spending, has raised government deficits and debt to unprecedented levels across all country income groups • Several Emerging Markets have seen negative sovereign rating and country risk limit actions, reflecting the higher level of sovereign risk as compared to pre-pandemic levels • 48 countries have requested participation in the G20 Debt Service Suspension Initiative (DSSI), while three countries (Zambia, Ethiopia, Chad) have requested debt restructuring as part of the Common Framework beyond DSSI • A sharp tightening of financial conditions, possibly triggered by a rise in bond yields in advanced economies or a deterioration in global risk sentiment, could push up debt-servicing costs for emerging markets	• Exposures that may result in material credit impairment and increased risk-weighted assets are closely monitored and actively managed • We rely on stress tests and portfolio reviews conducted at a PLC Group, Solo, country, and business level to assess the impact of extreme but plausible events and manage the portfolio accordingly. • We actively utilise Credit Risk mitigation techniques including credit insurance and collateral • We actively track the participation of our footprint countries in G20's Common Framework Agreement and Debt Service Suspension Initiative for Debt Treatments and the associated exposure

7 This theme was previously covered under 'Rising sovereign default risk and private sector creditor participation in the Common Framework Agreement'

Environmental and social considerations (Risk ranked according to severity)

Emerging Risk	Risk trend since 2020[1]	Context	How these are mitigated/next steps
Expanding stakeholder expectations for environmental, social and corporate (ESG) governance Potential impact: **High** Likelihood: **High** Velocity of change: **Fast**	↑	• There are risks if the Group is unable to adapt to new regulation quickly, as well as meeting publicly stated sustainability goals and helping clients transition • Environmental targets are being incorporated into many countries' domestic policy, with increased pressure to set ambitious sustainability goals. However, complexity remains in driving sustainability across diverse markets which prioritise topics differently • Climate change is a factor in biodiversity loss, pollution and depletion of resources. This poses a risk to food and health systems, energy security and the disruption of supply chains. Understanding of other environmental risks remains limited • Sustainable Finance and Climate Risk continue as a core focus of regulatory policy making across all jurisdictions, enhanced by COP26-related initiatives. Corporations are expected to incorporate environmental risks and sustainability in their business models. This exposes the Group to transition risks and emerging themes in regulatory compliance • Disclosure requirements are increasing each year as regulators and other stakeholders require greater transparency. There is a clear trend toward mandatory disclosures with developed markets leading the way. We expect the regulatory focus to gradually expand beyond climate to other environmental risks. There is risk of fragmentation of requirements across regions over time • The speed of transition to meet requirements could be faster for UK entities than those in emerging markets, and we are already observing fragmentation in the pace and scale of adoption around the world • Banks are already making commercial decisions on account of emissions and lack of credible reduction targets. At the same time, companies are being celebrated for progress around reducing emissions despite the presence of other social and governance risks – highlighting a tension between Environmental and Social risk assessments. This 'carbon-tunnel-vision', combined with increasing fragmentation in ESG taxonomies, may lead to unintended consequences • The COVID-19 pandemic, climate change and geopolitical risk have underscored the importance of supply chain transparency. This is creating pressure to expand supply chain metrics to include greater visibility around human rights issues, carbon emissions, and governance factors	• We remain committed to being a responsible bank, minimising our environmental impact and embedding our values through our strengthened Position Statements for sensitive sectors and a list of Prohibited Activities that the Group will not finance • The PLC Group proactively participates in industry initiatives and framework development on both climate and biodiversity, to help inform our internal efforts and capabilities. Increased scrutiny is applied to environmental and social standards in providing services to clients • We rely on detailed portfolio reviews and stress tests conducted at a PLC Group, Solo and country level to test the resilience to climate-related risks in line with local regulatory requirements and take action where necessary • The PLC Group has released net zero ambitions and specific emission reduction targets for carbon sensitive sectors. The PLC Group's TCFD report includes more details on Climate Risk and net zero • Our Green and Sustainable Product Framework, developed with the support of Sustainalytics, has been informed by industry and supervisory principles and standards such as the Green Bond Principles and EU Taxonomy for sustainable activities • We have defined three Stands to use unique ability to work across boundaries and connect capital, people, ideas and best practices to help address some key socioeconomic challenges and enable a just transition • The PLC Group is developing an approach to further integrate ESG risk management across the ERMF + Read more about our position statements: **sc.com/positionstatements**
Social unrest[8] Potential impact: **Medium** Likelihood: **Medium** Velocity of change: **Moderate**	↓	• Governmental restrictions on movement as a result of the COVID-19 pandemic, combined with longer-term trends of resurgent nationalism and ideology, have heightened existing social tensions • Vaccine mandates are causing domestic tensions and may lead to labour shortages in some states or industries such as healthcare and aviation. There have also been tensions in some markets where lockdowns have been reintroduced despite higher vaccination rates • In addition, COVID-19 has continued to exacerbate economic equality, including reducing the availability or quality of work. Collectively, these issues have given rise to societal disturbances in a number of markets. There have also been thematic disturbances connected to a common cause such as Black Lives Matter, or climate protests around high-profile events such as the COP26 climate summit • Longer term impacts of climate change may force mass relocation in some areas which could heighten local tensions	• The Group is committed to managing human rights impacts through our social safeguards in our Position Statements. • The PLC Group's Human Rights Working Group has developed an approach to monitor, report and escalate human rights issues to our Management Team for consideration with our PLC Group's strategy • We continue to support our operations and communities who are greatly impacted by COVID-19 through various aid programmes and financing • The Group relies on portfolio reviews conducted at a PLC Group, country, and business level to assess the impact of extreme but plausible geopolitical events

8 This theme was previously covered under 'Social unrest driven by economic downturns, water crises, medical provision and food security'

Technological considerations (Risk ranked according to severity)

Emerging Risk	Risk trend since 2020[1]	Context	How these are mitigated/next steps
Data and digital[9] Potential impact: **High** Likelihood: **High** Velocity of change: **Moderate**	↑	• Regulatory requirements and client expectations are increasing in areas such as data management, data protection and data sovereignty and privacy, including the ethical use of data and artificial intelligence • The Group, as well as the industry, continues to face challenges to keep pace with the volume of data related regulatory change. Regulatory drivers such as BCBS 239's requirements on effective risk data aggregation and risk reporting require enhanced controls over data lineage and quality. There has been increased use of powers afforded under data legislation by regulators to impose punitive fines or to demand data disclosures. Regulatory drivers and requirements vary by market, and the risk of fragmentation of requirements across our markets is growing over time • There are increased bilateral geopolitical disputes, prompting some governments to issue data sovereignty legislation, in some cases extraterritorial in nature, which may impact Group processes. In some instances there is conflicting guidance from different regulatory authorities within the same jurisdiction • Rapid adoption of new technologies such as Big Data requires that we need to determine how the Group's Data Management Policies, Standards and Controls are updated and applied • As information assumes an increasingly fundamental role and the migration to Cloud infrastructure continues, data is becoming concentrated in the hands of governments and large private companies. Data related risks need to be continuously gauged to ensure Group processes and controls are effective • There is an increasing trend of highly organised threat actors, both state sponsored and through organised crime. Tactics are becoming more sophisticated and attacks more targeted over time. New techniques and developments of weapons such as ransomware are available as a service, reducing the cost of complex attack methods • Increasing connectivity is driving growth and new technologies, but also increasing the Group's cyber-attack surface and possible entry points for cyber criminals	• The PLC Group accepts invitations from its regulators to lead on specific data and artificial intelligence (AI) related industry consultations and also actively work with AI industry bodies to help influence AI regulations • There is active monitoring, both in house and through external counsel, of regulatory developments in relation to data management, including records management, data protection and privacy, data sovereignty and AI • The PLC Group has further embedded the existing risk control framework for data management risks, which has strengthened and streamlined risk oversight • Given the growth of AI tools and the inherent risks, the deployment and release into PLC Group operational processes is monitored through an AI Council • Controls from the cyber and cloud domains are leveraged for data management risks where appropriate • The PLC Group established a dedicated Data and Privacy Operations team and mobilised a Groupwide transformation programme to build data management capabilities and expertise to ensure compliance with data management regulations • We have an inflight programme of work to drive compliance to BCBS 239 requirements on effective risk data aggregation and risk reporting • We continue to deliver new controls and capabilities to increase our ability to identify, detect, protect and respond to ICS threats

9 This theme was previously covered under 'Increased data privacy and security risks from strategic and wider use of data'

Emerging Risk	Risk trend since 2020[1]	Context	How these are mitigated/next steps
New business structures, channels and competition[10] Potential impact: **High** Likelihood: **High** Velocity of change: **Fast**		• There is increasing usage of partnerships and alliances by banks to respond to disruption and changes to the industry, particularly from new technologies. Thus partnerships and alliances are integral to banks' emerging business models and value proposition to clients. However, this also exposes the banks to third-party risks. There are also new business models such as Revenue Sharing Partnerships that present new risks and due diligence considerations • Technological advances such as AI, Machine Learning (ML) and cloud-based systems are creating new opportunities but also bringing new challenges. There is also a risk that failure to expediently adapt and harness such technologies would place the Group at a competitive disadvantage • As new technologies grow in sophistication and become further embedded across the banking and financial services industry, banks may become more susceptible to technology-related risks. Banks may also face increased risks of business model disruption as new products and technologies continue to emerge. There is also potential for inadequate risk assessment for new and unfamiliar activities • The health and social impact of COVID-19, the economic fallout and associated increased cyber threats have impacted companies globally, resulting in significant pressure on the financial health and security of suppliers, vendors and other third parties that the Group relies on • A remote workforce introduces new vulnerabilities which were easier to manage in an office environment. Particular focus should be given to highly privileged or high-risk roles • The Group is subject to significant competition from local banks and other international banks in the markets in which it operates, including competitors that may have greater financial and other resources. In addition, the Group may experience increased competition from new entrants such as fintechs delivering digital-only banking offerings with a differentiated user experience, value proposition and product pricing • In Corporate, Commercial and Institutional Banking, there is an increasing focus on process digitisation to provide scalable and personalised solutions for corporate clients. There are a growing number of use cases for blockchain technologies • In addition, digital assets are gaining adoption and linked business models are increasing in prominence. These present material opportunities as well as risks	• We monitor emerging trends, opportunities and risk developments in technology that may have implications on the banking sector • We are enhancing capabilities to ensure our systems are resilient, we remain relevant and can capitalise quickly on technology trends • Enhanced digital capabilities have been rolled out in Consumer, Private and Business Banking, particularly around onboarding, sales, and marketing • A risk management approach to address the specific risks arising from digital asset activities, as well as internal guidance on how to leverage existing risk management practices for new activities and nascent risks, is developed and implemented at the PLC Group • Strategic partnerships and alliances are being set up with fintechs to better compete in the markets in which we operate. A tiered security model has been established to ensure appropriate security oversight and governance is in place for different types of strategic partnerships • Third-Party Risk management policies, procedures and governance are being reviewed to ensure adequate coverage across all PLC Group activities

10 This theme was previously covered under 'Third-party dependency' and 'New technologies and digitisation'

Emerging Risk	Risk trend since 2020[1]	Context	How these are mitigated/next steps
Talent pool of the future[11] Potential impact: **Medium** Likelihood: **High** Velocity of change: **Moderate**	↑	• COVID-19 accelerated the move towards remote working for employees. While this initially enabled better safety and was found to benefit productivity, it also raised concerns around effective mitigation and management of operational, information and cyber security, compliance, and conduct risks • The extended nature of the COVID-19 pandemic is continuing to restrict employees' ability to operate in their preferred hybrid working location format (between home and office), causing potential risks to wellbeing, ease of collaboration and learning from others • As demand for new skills and capabilities gains momentum with the rapid change in technology and new ways of working, the shortage of key skills is driving a war for talent in the financial services industry. This, combined with cross-border mobility restrictions and government protectionist policies, will especially intensify competition for local talent. A compelling purpose, combined with flexible and agile working models, upskilling and reskilling opportunities and career mobility options becomes critical to attract, motivate and retain talent • Hybrid-working at-scale also demands concerted efforts towards inclusive behaviours and actions to ensure a consistent experience for employees working remotely, in office or hybrid, as well as those representing our diverse workforce or dealing with challenges that may not be visible or may be accentuated when working remotely	• We proactively assess and manage people-related risks; for example, organisation, capability, conduct and culture, as part of our Group Risk Management framework and our People Strategy • The PLC Group undertook a Future of Work change risk assessment which considered operational, compliance, data privacy and cyber security risks in addition to wellbeing, culture and leadership • The Group has rolled out hybrid-working options across 25 markets and over 83 per cent of colleagues in these locations are now on flexi-working arrangement contracts • Wellbeing is one of the key pillars of the Group's Diversity and Inclusion strategy and we have embedded multiple tools and resources to support colleague wellbeing. These include toolkits for managers and employees, a confidential Employee Assistance Programme, an online programme to support physical wellbeing, increased training for Mental Health First Aiders, an on-the-go mobile app and proactive training in resilience • The PLC Group has embarked on a multi-year journey focused on upskilling and re-skilling our workforce by building a culture of continuous learning and leveraging technology to enable employees to build future ready skills through content and cross-functional experiences

11 This theme was previously covered under 'Increase in long-term remote working providing new challenges'

↑ Risk heightened in 2021 ↓ Risk reduced in 2021 <> Risk remained consistent with 2020 levels

Potential impact Refers to the extent to which a risk event might affect the Group	**Likelihood** Refers to the possibility that a given event will occur	**Velocity of change** Refers to when the risk event might materialise
High (significant financial or non-financial risk)	High (almost certain)	Fast (risk of sudden developments with limited time to respond)
Medium (some financial or non-financial risk)	Medium (likely or possible)	Moderate (moderate pace of developments for which we expect there will be time to respond)
Low (marginal financial or non-financial risk)	Low (unlikely or rare)	Steady (gradual or orderly developments)

Capital review

Capital management and governance

The Group's capital and leverage position is managed within the Court-approved Risk Appetite framework. Further detail is provided within the Risk Management Framework section on page 122.

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 successfully completed the formation of an ASEAN hub during 2021 in which the Group's existing businesses in Malaysia, Thailand and Vietnam were moved under the Group's existing Singapore subsidiary entity, which itself remains under Standard Chartered Bank. Standard Chartered Bank continues to operate through its branches and a number of subsidiaries, all of which remain well capitalised in line with their applicable Court-approved Risk Appetites which takes into account local regulations, Pillar 1 and 2 requirements and regulatory and management buffers as applicable.

The Group's CET1 ratio remained strong at 12.3 per cent at FY2021 with leverage at 4.5 per cent. The Group maintains high levels of loss absorbing capacity. Compared to 31 December 2020, the Group's CET1 ratio decreased 41 basis points as RWA increased by $6.1 billion to $194.0 billion. CET1 capital was flat compared to FY2020 as profits of $1.6 billion were offset by distributions of $0.6 billion, a foreign currency translation impact of $0.5 billion, movement in other comprehensive income of $0.2 billion and an increase in regulatory deductions of $0.4 billion.

On 9 July 2021, the PRA published a policy statement on implementing Basel standards which confirmed that qualifying software assets would need to be deducted from CET1 from January 2022. As at 31 December 2021, the current treatment of software assets provided around 32 basis points of benefit to the CET1 ratio.

From 1 January 2022 RWA increases due to post model adjustments following new PRA rules on IRB models and the introduction of standardised rules for Counterparty Credit Risk on derivatives and other instruments.

Capital ratios

	2021	restated[1] 2020
CET1	**12.3%**	12.7%
Tier 1 capital	**15.3%**	15.1%
Total Capital	**21.6%**	21.7%

1 Restatement of 2020 includes correction of fair value hedge adjustment of $81 million

CRD Capital base[1] (audited)

	2021 $million	restated[4] 2020 $million
CET1 capital instruments and reserves		
Capital instruments and the related share premium accounts	**20,893**	19,620
Of which: share premium accounts	**296**	296
Retained earnings[2]	**9,831**	11,674
Accumulated other comprehensive income (and other reserves)	**(4,245)**	(3,512)
Non-controlling interests (amount allowed in consolidated CET1)	**179**	160
Independently audited year-end profits	**1,639**	(32)
Foreseeable dividends	**(186)**	(162)
CET1 capital before regulatory adjustments	**28,111**	27,748
CET1 regulatory adjustments		
Additional value adjustments (prudential valuation adjustments)	**(453)**	(354)
Intangible assets (net of related tax liability)[3]	**(3,037)**	(2,943)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	**(141)**	(133)
Fair value reserves related to net losses on cash flow hedges	**11**	(5)
Deduction of amounts resulting from the calculation of excess expected loss	**(416)**	(377)
Net gains on liabilities at fair value resulting from changes in own credit risk	**3**	28
Defined-benefit pension fund assets	**(114)**	(13)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	**(51)**	(32)
Exposure amounts which could qualify for risk weighting of 1250%	**(29)**	(21)
Total regulatory adjustments to CET1	**(4,227)**	(3,850)
CET1 capital	**23,884**	23,898
Additional Tier 1 capital (AT1) instruments	**5,892**	4,571
AT1 regulatory adjustments	**(20)**	(20)
Tier 1 capital	**29,756**	28,449
Tier 2 capital instruments	**12,105**	12,293
Tier 2 regulatory adjustments	**(30)**	(30)
Tier 2 capital	**12,075**	12,263
Total capital	**41,831**	40,712
Total risk-weighted assets (unaudited)	**193,988**	187,901

1 CRD capital is prepared on the regulatory scope of consolidation

2 Retained earnings include IFRS9 capital relief (Transitional) of $299 million including dynamic relief of $88 million

3 The deduction of intangible assets includes software deduction relief of $714 million, available as per CRR 'Quick Fix' measures (2020 software deduction relief of $464 million)

4 Restatement of 2020 includes correction of fair value hedge adjustment of $81 million.

Leverage ratio

Capital and total exposures	2021 $million	restated[1] 2020 $million
Tier 1 capital	**29,258**	27,453
Total leverage ratio exposures	**653,396**	587,570
Leverage ratio	**4.5%**	4.7%

1 Restatement of 2020 includes correction of fair value hedge adjustment of $81 million.

Opinion

In our opinion:

- the financial statements of Standard Chartered Bank (the 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU IFRS);
- the Company financial statements been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Group and the Company for the year ended 31 December 2021 which comprise:

Group	Company
Consolidated balance sheet as at 31 December 2021	Balance sheet as at 31 December 2021
Consolidated income statement for the year then ended	Cash flow statement for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of changes in equity for the year ended 31 December 2021
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 40 to the financial statements including a summary of significant accounting policies
Consolidated cash flow statement for the year then ended	
Related notes 1 to 40 to the financial statements, including a summary of significant accounting policies	
Risk and capital disclosures marked as 'audited' from page 55 to page 154	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted IAS, and as regard to the Group financial statements, EU IFRS, and as regards the Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting council's (FRC's) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:

- Understanding management's going concern assessment process, including the impact of the COVID-19 pandemic (COVID-19);
- Review of the Corporate Plan, including assessing the reasonableness of assumptions and historical forecasting accuracy;
- Assessing the results of management's stress testing, including consideration of principal and emerging risks, on funding, liquidity and regulatory capital;
- Reviewing correspondence with prudential regulators and authorities for matters that may impact the going concern assessment; and
- Evaluating the appropriateness of the going concern disclosure included in Note 1 to the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Company's ability to continue as a going concern for a period of twelve months from 17 February 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Audit scope	• We performed an audit of the complete financial information of 14 components across 10 countries and audit procedures on specific balances for a further 4 components across 3 countries. • The components where we performed full or specific audit procedures accounted for 76% of absolute adjusted profit before tax (PBT) measure used to calculate materiality, 83% of absolute operating income and 93% of Total assets.
Key audit matters	• Credit impairment • User access management • Impairment of non-financial assets (Investments in subsidiary undertakings and Goodwill) • Valuation of financial instruments held at fair value with higher risk characteristics
Materiality	• Overall Group materiality of $137m which represents 5% of adjusted PBT.

Overview of our audit approach

An overview of the scope of the Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each component within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We took into account the size, risk profile, the organisation of the Group and effectiveness of Group control environment, changes in the business environment and other factors such as material issues or misstatements noted in prior period when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the consolidated financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 283 reporting components of the Group, we selected 18 components across 13 countries covering entities within Bangladesh, Germany, India, Indonesia, Japan, Kenya, Malaysia, Nigeria, Pakistan, Singapore, United Arab Emirates, United Kingdom, and the United States of America, which represent the principal business units within the Group. The definition of a component is aligned with the structure of the Group's consolidation system, typically these are either a branch, group of branches, group of subsidiaries, a subsidiary or an associate.

We took a centralised approach to auditing certain processes and controls, as well as the substantive testing of specific balances. This included audit work over Global Business Services, Commercial, Corporate and Institutional Banking, Credit Impairment and Technology.

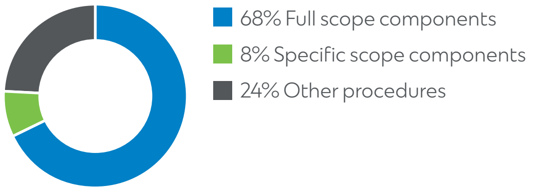
Of the 18 components selected in 13 countries, we performed an audit of the complete financial information of 14 components in 10 countries ('full scope components') which were selected based on their size or risk characteristics. For the remaining 4 components in 3 countries ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 76% (2020: 81%) of the Group's absolute adjusted PBT, 83% (2020: 83%) of the Group's absolute operating income and 93% (2020: 95%) of the Group's Total assets. For the current year, the full scope components contributed 68% (2020: 77%) of the Group's absolute adjusted PBT, 73% (2020: 76%) of the Group's absolute operating income and 82% (2020: 85%) of the Group's Total assets. The specific scope component contributed 8% (2020: 4%) of the Group's absolute adjusted PBT, 10% (2020: 7%) of the Group's absolute operating income and 11% (2020: 10%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

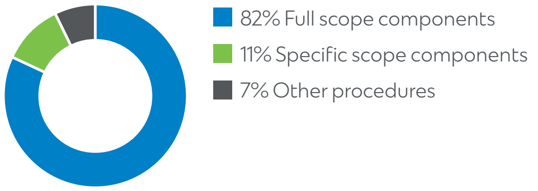
Of the remaining 265 components that together represent 24% of the Group's absolute adjusted PBT, none are individually greater than 2.5% of the Group's absolute adjusted PBT. For these components, we performed other procedures at a Group level which included, performing analytical reviews at a Group financial statement line item level, testing entity level controls, performing audit procedures on the centralised shared service centres, testing of consolidation journals and intercompany eliminations, inquiring with local component teams and assessing the outcome of prior year local statutory audits to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

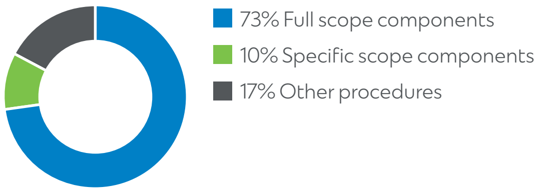
Absolute adjusted PBT



Total assets



Absolute operating income



Changes from the prior year

We assessed our 2021 audit scope with consideration of history or expectation of unusual or complex transactions and potential for or history of material misstatements. We also kept our audit scope under review throughout the year.

A total of 4 components in 3 countries which were previously included in our prior year audit scope, that together represent 2% of the Prior year adjusted absolute PBT have now been excluded from the Group audit scope in the current year based on our updated risk assessment.

Bangladesh which was a full scope component in the prior year is designated as a specific scope component in the current year based on our updated risk assessment.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Group audit engagement team, or by component auditors from other EY global network firms operating under our instruction.

Of the 14 full scope components, audit procedures were performed on 1 of these (the audit of the Company) directly by the Group audit engagement team (EY London) in the United Kingdom. For the 4 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole. In addition, the Group has centralised processes and controls over key areas in its shared service centres. Members of the Group audit engagement team provide direct oversight, review and coordination of our shared service centre audits.

Our programme of planned visits to components and shared service centres in several locations was impacted by the travel restrictions and other imposed government measures which are still in place from the prior year as a result of the ongoing COVID-19 pandemic. The audit was performed remotely at both Group audit engagement team and component locations supported through the use of EY software collaboration platforms for the secure and timely delivery of requested audit evidence. We also undertook virtual engagement visits with local audit teams and management. These virtual meetings involved discussing the audit approach with the component and shared service centres team and any issues arising from their work, meeting with local management, attending meetings with the key audit partners of material components, attending interim and closing meetings and performing remote reviews of key audit workpapers. Furthermore, the Senior Statutory Auditor visited Singapore as it is the location where a significant element of the work on risk areas such as credit and financial instrument valuation is performed. He attended key meetings with management and held discussions on the audit approach and any issues arising from the work of the Singapore component and Shared Service Centre teams.

As a result of COVID-19, we maintained continuous involvement and oversight of the component teams. This includes the Group audit engagement partners and senior members of the primary audit team increasing regular interactions through calls and video conferences during various stages of the audit process, increasing our written communications to and reporting from the component teams and inviting component teams to our virtual planning event and subsequent virtual events dedicated to specific areas of the audit.

For the majority of the significant and fraud risk areas, substantial elements of the audit work were led centrally, either within the Group audit engagement team, or within other teams performing centralised procedures.

This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact the banking industry. The Group has determined climate risk to be a Primary Integrated Risk Type and the assessment of this risk is explained in the Risk Review section of the Strategic Report (the 'Climate Disclosures').

The Climate Disclosures form part of the 'Other information,' rather than the audited financial statements. Our procedures on the Climate Disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Governmental and societal responses to climate change risks are still developing and are interdependent upon each other; accordingly, financial statements cannot capture all possible future outcomes as these are not yet known. The degree of uncertainty of these climate change risks may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK adopted IAS and EU IFRS.

Our audit effort in considering climate change risk was focused on evaluating whether the Group's assessment of the effects of material climate change risks disclosed within Basis of Preparation on page 174, have been appropriately reflected in the valuation of assets and liabilities, where these can be reliably measured. This was in the context of the Group's process over this emerging area being limited, as a result of limitations in the availability of data and sophisticated models, and as the Group considers how it further embeds its climate ambitions into the planning process.

We also understood the Directors' considerations of climate change in their assessment of going concern and the associated disclosures.

Whilst the Group has stated its commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050, the Group considers Climate Risk as a longer-term risk and will address the risk through its business strategy and financial planning as the Group implements its net zero journey. As set out above and on page 174 within Basis of Preparation, the Group's process is currently limited, and accordingly, the potential impacts of Climate Risk may not be fully incorporated in these financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
1. Credit Impairment Accounting policies (page 187); Note 8 of the financial statements; and relevant credit risk disclosures (including pages 63 and 65) At 31 December 2021, the Group reported total credit impairment balance sheet provision of $5,377 million (2020: $6,402 million). Management's judgements and estimates are especially subjective due to significant uncertainty associated with the assumptions used. Assumptions with increased complexity in respect of the timing and measurement of expected credit losses (ECL) include: • **Staging** – Allocation of assets to stage 1, 2, or 3 on a timely basis using criteria in accordance with IFRS 9; • **Model output and adjustments** – Accounting interpretations, modelling assumptions and data used to build and run the models that calculate the ECL, including the appropriateness, completeness and valuation of post-model adjustments applied to model output to address risks not fully captured by the models; • **Economic scenarios –** Significant judgements involved with the determination of parameters used in Monte Carlo Simulation and the evaluation of the appropriateness of using Monte Carlo Simulation with regards to whether the simulation can sufficiently capture the non-linearity of ECL and appropriately generate a wide enough range of possible outcomes; • **Management overlays –** Appropriateness, completeness and valuation of risk event overlays to capture risks not identified by the credit impairment models, including the consideration of the risk of management override; and • **Individually assessed ECL allowances –** Measurement of individual provisions including the assessment of probability weighted recovery scenarios, exit strategies, collateral valuations and time to collect. The above complexities are further exacerbated by the ongoing COVID-19 pandemic, particularly due to its dynamic nature and the diversity of its impact across geographies and time. The most notable risk in this respect remains the appropriateness of the management COVID-19 overlay recognised within the ECL.	We evaluated the design and operating effectiveness of controls relevant to the Group's processes over material ECL balances, including the judgements and estimates noted, involving EY specialists to assist us in performing our procedures to the extent it was appropriate. These included: • credit monitoring; • controls over the allocation of assets into stages such as management's monitoring of stage effectiveness; • completeness and accuracy of data; • review and approval of multiple economic scenarios; • model governance, including model monitoring, model validation and review and approval of post model adjustments; • review and approval of management overlays; and • review and approval of the individually assessed ECL. In evaluating the controls, we obtained the relevant papers and minutes of the executive forums that discuss and approve the credit models and ECL allowances for evidence of executive review and challenge. We performed an overall stand-back assessment of the ECL allowance levels by stage to determine if they were reasonable by considering the overall credit quality of the Group's portfolios, risk profile, impact of COVID-19 including geographic considerations and vulnerable sectors. We also assessed the effect of government support measures in key locations (e.g., payment deferrals), which may delay or mask stage migrations. Our assessment also included the evaluation of the macroeconomic environment by considering trends in the economies and industries to which the Group is exposed. We performed peer benchmarking where available to assess overall staging and provision coverage levels. **Staging –** We evaluated the criteria used to allocate financial assets to stage 1, 2 or 3 in accordance with IFRS 9. We reperformed the staging distribution for a sample of assets and assessed the reasonableness of staging downgrades applied by management. To test credit monitoring which largely drives the probability of default estimates used in the staging calculation, we challenged the risk ratings for a sample of performing accounts and other accounts exhibiting risk characteristics such as financial difficulties, deferment of payment, late payment and watchlist. We also considered the vulnerable sectors (as defined by the Group) impacted by COVID-19. **Modelled output and adjustments –** We performed a risk assessment on models involved in the ECL calculation to select a sample of models to test. We engaged our modelling specialists to evaluate a sample of ECL models by assessing the reasonableness of underpinning assumptions, inputs and formulae used. This included a combination of assessing the appropriateness of model design and formulae, and algorithms, alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default parameters. Together with our modelling specialists, we also assessed material post-model adjustments which were applied as a response to risks not fully captured by the models, including the completeness and appropriateness of these adjustments, for which we considered the applied judgments and methodology, and governance thereon.	We concluded that management's methodology, judgements and assumptions used in calculating credit impairment are in accordance with the accounting standard. We highlighted the following matters to the Audit Committee: • a number of control findings in relation to the model governance framework; • some instances of over and under estimation; • benchmarking impact of non-linearity from the baseline ECL against UK peers; and • the need for to continuously assess the composition of the CPBB COVID-19 overlay to reflect the everchanging market uncertainties. Overall modelled ECL levels, staging and individually assessed provisions were reasonable. We concluded that the Group's ECL allowances were reasonable and recognised in accordance with IFRS 9.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
1. Credit Impairment (continued)	In response to the new models implemented this year to address known weaknesses in previous models, we performed substantive testing procedures, including code review and implementation testing. To evaluate data quality, we agreed a sample of ECL calculation data points to source systems, including, among other data points, balance sheet data used to run the models. We also tested a sample of the ECL data points from the calculation engine through to the general ledger and disclosures. We included COVID-19 specific data points in this testing. **Economic scenarios –** For material models, in collaboration with our economists and modelling specialists, we also challenged the completeness and appropriateness of the macroeconomic variables used as inputs to these models. Additionally, we involved our economic specialists to assist us in evaluating the reasonableness of the base forecast for sample of macroeconomic variables most relevant for the Group's ECL calculation influenced by the above assessment. Procedures performed included benchmarking the forecast for a sample of macroeconomic variables to a variety of external sources. Furthermore, we have assessed the reasonableness of the Furthermore, we assessed the reasonableness of the non-linearity impact on ECL allowances. By engaging our economists and modelling specialists, we assessed the Group's choice of scenarios and chosen weights used, and the underlying mechanics and formulae to determine the uplift in ECL. We also performed a stand-back assessment by benchmarking the uplift and overall ECL charge and provision coverage to peers. **Management overlays –** We challenged the completeness and appropriateness of overlays used for risks not captured by the models, particularly the uncertainties as a result of the COVID-19 pandemic and observed in the China Commercial Real Estate sector. Our procedures included evaluating the underpinning assumptions and judgments as to whether they are appropriate in prevailing market conditions. **Individually assessed ECL allowances –** Our procedures included challenging management's forward-looking economic assumptions of the recovery outcomes identified and assigned individual probability weightings, and recalculating a sample of individually assessed provisions. We also engaged our valuation specialists to test the value of the collateral used in management's calculations. Our sample was based on quantitative thresholds and qualitative factors including vulnerable sectors. We considered the impact COVID-19 had on collateral valuations and time to collect. We also considered whether planned exit strategies remained viable under COVID-19.	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
2. User access management - privileged access management IT General Controls (ITGCs) support the continuous operation of the automated and other IT dependent controls within the business processes related to financial reporting. Effective IT general controls are needed to ensure that IT applications process business data as expected and that changes are made in an appropriate manner. During the 2020 audit, a number of significant privileged identity management (PIM) control deficiencies were identified by us. Similar deficiencies were identified by Group Internal Audit (GIA) and the predecessor auditor in 2018 and 2019. The possibility of IT application users gaining access privileges beyond those necessary to perform their assigned duties may result in breaches in segregation of duties, including inappropriate manual intervention, unauthorised changes to systems or programmes. These deficiencies are still in the process of being fully remediated. During the current year audit, we made further observations relating to the effectiveness of remediation activities. The risk has decreased in the current year due to management's remediation program, which is still in progress as at the year-end date.	We reviewed the results of management's remediation program and risk assessment for applications in our audit scope and assessed the impact on the financial statements for the year ended 31 December 2021. We tested IT compensating controls where possible, and also performed additional IT substantive procedures to assess the impact of risks associated with the reported deficiencies, on the financial statements. Where required, we tested business compensating controls and performed additional business substantive procedures.	• We communicated a weakness in internal control to the Audit Committee throughout the audit, in respect of the effectiveness of privileged identity management. • We explained the additional procedures performed, including IT substantive testing, testing of IT and business compensating controls, and where required, additional substantive testing over impacted account balances. As a result of the procedures performed, we have reduced the risk that our audit has not identified a material error in the Group and Company financial statements, related to user privileged access management, to an appropriate level.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
3. Impairment assessment of non-financial assets a) Impairment of Goodwill: Accounting policies (page 265); and Note 16 of the financial statements and b) Impairment of Investments in subsidiary undertakings: Accounting policies (page 298); and Note 31 of the financial statements COVID-19 continues to have a significant economic impact globally. As a result, the Group assessed for impairment its various non-financial assets during 2021, the most significant of which are set out below. The Group performed an impairment test on goodwill amounting to $1,379 million (2020: $1,408 million) and, in the Company financial statements, Investments in subsidiary undertakings amounting to $9,694 million (2020: $8,258 million). Impairment of goodwill and investments in subsidiary undertakings is determined by comparing the carrying value to recoverable amount. Where the recoverable amount is based on value-in-use (VIU), this is modelled by reference to future cashflow forecasts (profit forecast including a regulatory capital haircut adjustment), discount rates and macroeconomic assumptions such as long-term growth rates. Consequently, there is a risk that if the judgements and assumptions underpinning the impairment assessments are inappropriate, then the goodwill and investments in subsidiaries balances may be misstated. The level of risk remains consistent with the prior year.	We obtained an understanding of management's processes for assessing impairment and evaluated the design of controls. We took a fully substantive approach. We assessed the appropriateness of the Group's methodology for testing the impairment of goodwill and investments in subsidiary undertaking for compliance with the accounting standards. For goodwill, we assessed the appropriateness of the cash-generating units identified by management, including the change as a result of the Group's organisational structure effective 1 January 2021. We tested the mathematical accuracy of the VIU model and engaged our specialists to support the audit team in assessing reasonableness of the regulatory haircut adjustment[1] to future profitability forecasts and calculating an independent range for assumptions underlying the VIU calculations, such as the discount rate and long-term growth rate for each cash generating unit. We also reconciled the future profitability forecasts to the Group's approved Corporate Plan ('the Plan'). We performed audit procedures to assess the reasonableness of the forecasts by reviewing the Group Strategy, challenging key assumptions underpinning the Plan, reviewing the feasibility of management actions necessary to achieve the Plan, testing the reliability of the Group's historical forecasting and benchmarking key metrics against broker reports published for comparable businesses. We performed a stand back test to evaluate the appropriateness of the audit evidence obtained and our conclusion in relation to these estimates. We performed sensitivity analysis to identify the cash generating units that were most sensitive to potential changes in the assumptions set out above. We assessed the appropriateness of goodwill disclosures in accordance with IAS 36. 1 The forecast profits are haircut using an internal risk appetite and forecast RWA, to reflect the amount of capital to be retained by each CGU before profits may be distributed.	We concluded that the goodwill balance as at 31 December 2021 is not materially misstated. We also concluded that the Investments in subsidiary undertakings in Company financial statements is not materially misstated. We are satisfied that the change in cash-generating units, management methodologies, judgements and assumptions supporting the carrying value were reasonable and in accordance with international accounting standards. We concluded that the disclosures were appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
4. Valuation of financial instruments held at fair value with higher risk characteristics Refer to Accounting policies (page 198); Note 12 of the financial statements. At 31 December 2021, the Group reported financial assets measured at fair value of $232,840 million, and financial liabilities at fair value of $129,138 million, of which financial assets of $2,883 million and financial liabilities of $1,264million are classified as Level 3 in the fair value hierarchy. The fair value of financial instruments with higher risk characteristics involves the use of management judgement in the selection of valuation models and techniques, pricing inputs and assumptions and fair value adjustments. A higher level of estimation uncertainty is involved for financial instruments valued using complex models, pricing inputs that have limited observability, and fair value adjustments, including the Credit Valuation Adjustment and Debit Valuation Adjustment, in relation to derivative transactions with counterparties where credit spreads are less readily able to be determined. We considered the following portfolios presented a higher level of estimation uncertainty: • Level 3 derivative financial instruments and a portfolio of Level 2 derivative financial instruments due to the use of complex models or illiquid pricing inputs, and • Unlisted equity investments, loans at fair value, debt and other financial instruments classified in Level 3 with unobservable pricing inputs. The level of risk remains consistent with the prior year.	We evaluated the design and operating effectiveness of controls relating to the valuation of financial instruments, including independent price verification, model review and approval, fair value adjustments, income statement analysis and reporting. Among other procedures, we engaged valuation specialists to assist the audit team in performing the following procedures: • Test complex model-dependent valuations by independently revaluing a sample of Level 3 and complex Level 2 derivative financial instruments, in order to assess the appropriateness of models and the adequacy of assumptions and inputs used by the Group; • Test valuations of other financial instruments with higher estimation uncertainty, such as unlisted equity investments, loans at fair value, debt and other financial instruments. We compared management's valuation to our own independently developed range, where appropriate; • Assessed the appropriateness of pricing inputs as part of the Independent Price Verification process; and • Compared the methodology used for fair value adjustments to current market practice. We revalued a sample of valuation adjustments, compared funding and credit spreads to third party data and challenged the basis for determining illiquid credit spreads. Where material differences between our independent valuation and management's valuation were outside our thresholds, we performed additional testing to assess the impact on the valuation of financial instruments.	We concluded that assumptions used by management to estimate the fair value of financial instruments with higher risk characteristics and the recognition of related income were reasonable. We highlighted the following matters to the Audit Committee: • Complex model-dependent valuations were appropriate based on the output of our independent revaluations; • Fair values of derivative transactions, unlisted equity investments, loans, debt and other financial instruments valued using pricing information with limited observability were not materially misstated as at 31 December 2021, based on the output of our independent calculations; and Valuation adjustments in respect of credit, funding and other risks applied to derivative portfolios and debt securities issued were appropriate, based on our analysis of market data and benchmarking of pricing information

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be $137 million (2020: $88 million), which is 5% (2020: 5%) of Adjusted PBT. This reflects actual PBT adjusted for non-recurring item relating to restructuring, regulatory fines and net gain on businesses disposed/held for sale. We believe that adjusted PBT provides us with the most appropriate measure for the users of the financial statements, given the Group is profit making; it is consistent with the wider industry and is the standard for listed and regulated entities and we believe it reflects the most useful measure for users of the financial statements. We also believe that the adjustments are appropriate as they relate to material non-recurring items.

Starting basis

- Statutory profit before tax – $2,381m

Adjustments

- Restructuring – $325m
- Regulatory fine – $62m
- Net gain on businesses disposed/held for sale – ($20m)

Materiality

- Totals $2,748m Adjusted PBT
- Materiality of $137m (5% of Adjusted PBT)

We determined materiality for the Company to be $137 million (2020: $88 million), which is aligned to the materiality of the Group since the financial statements covers both the Group and Company.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2020: 50%) of our planning materiality, namely $69m (2020: $44m). We have set performance materiality at this percentage based on a variety of risk assessment factors such as the expectation of misstatements, internal control environment considerations and other factors such as the global complexity of the Group.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was $8m to $18m (2020: $7m to $13m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $7m (2020: $5m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report including the Strategic report (page 1 to 48), the Directors' report (page 49 to 53) and the information not marked as 'audited' in the Risk and capital review section (page 55 to 154), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities on page 54, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK-adopted IAS and EU IFRS, the Companies Act 2006, regulations and supervisory requirements of the Prudential Regulation Authority (PRA), FRC, FCA and other overseas regulatory requirements, including but not limited to regulations in its major markets such as India, Singapore, the United States of America, and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to regulatory capital and liquidity, conduct, financial crime including anti-money laundering, sanctions and market abuse recognising the financial and regulated nature of the Group's activities.
- We understood how the Group is complying with those frameworks by performing a combination of inquiries of senior management and those charged with governance as required by auditing standards, review of board and committee meeting minutes, gaining an understanding of the Group's approach to governance, inspection of regulatory correspondence in the year and engaging with internal and external legal counsel. We also engaged EY financial crime and forensics specialists to perform procedures on areas relating to anti-money laundering, whistleblowing, and sanctions. Through these procedures, we became aware of actual or suspected non-compliance. The identified actual or suspected non-compliance was not sufficiently significant to our audit that would have resulted in them being identified as a key audit matter.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. Our procedures to address the risks identified also included incorporation of unpredictability into the nature, timing and/or extent of our testing, challenging assumptions and judgements made by management in their significant accounting estimates and journal entry testing.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of the Group's internal and external legal counsel, money laundering reporting officer, internal audit, certain senior management executives and focused testing on a sample basis, including journal entry testing. We also performed inspection of key regulatory correspondence from the relevant regulatory authorities as well as review of board and committee minutes.
- For instances of actual or suspected non-compliance with laws and regulations, which have a material impact on the financial statements, these were communicated by management to the Group audit engagement team and component teams (where applicable) who performed audit procedures such as inquiries with management and external legal counsel, sending confirmations to external lawyers, substantive testing and meeting with regulators. Where appropriate, we involved specialists from our firm to support the audit team.
- The Group is authorised to provide banking, insurance, mortgages and home finance, consumer credit, pensions, investments and other activities. The Group operates in the banking industry which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the Group audit engagement team, the component teams and the shared service centre teams to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the Company on 31 March 2020, and were appointed by the Company at the Annual General Meeting on 12 May 2021, to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods.
- The period of total uninterrupted engagement is two years, covering the years ended 31 December 2020 to 31 December 2021.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

David Canning-Jones (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor

London
17 February 2022

Consolidated income statement

For the year ended 31 December 2021

	Notes	2021 $million	2020 $million
Interest income		6,185	7,807
Interest expense		(2,133)	(3,707)
Net interest income	3	4,052	4,100
Fees and commission income		2,972	2,601
Fees and commission expense		(576)	(596)
Net fee and commission income	4	2,396	2,005
Net trading income	5	2,280	2,606
Other operating income	6	132	525
Operating income		8,860	9,236
Staff costs		(5,591)	(5,128)
Premises costs		(224)	(249)
General administrative expenses		(71)	(414)
Depreciation and amortisation		(594)	(672)
Operating expenses	7	(6,480)	(6,463)
Operating profit before impairment losses and taxation		2,380	2,773
Credit impairment	8	30	(1,976)
Goodwill, property, plant and equipment and other impairment	9	(30)	(262)
Profit from associates and joint ventures	31	1	1
Profit before taxation		2,381	536
Taxation	10	(743)	(514)
Profit for the year		1,638	22
Profit attributable to:			
Non-controlling interests	28	29	47
Parent company shareholders		1,609	(25)
Profit for the year		1,638	22

The notes on pages 174 to 324 form an integral part of these financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2021

	Notes	2021 $million	2020 $million
Profit for the year		**1,638**	22
Other comprehensive (loss)/income			
Items that will not be reclassified to income statement:		**270**	(14)
Own credit gains/(losses) on financial liabilities designated at fair value through profit or loss		**28**	(54)
Equity instruments at fair value through other comprehensive income		**161**	71
Actuarial gains/(losses) on retirement benefit obligations	29	**157**	(17)
Taxation relating to components of other comprehensive income	10	**(76)**	(14)
Items that may be reclassified subsequently to income statement:		**(869)**	280
Exchange differences on translation of foreign operations:			
Net losses taken to equity		**(502)**	(213)
Net losses on net investment hedges		**(19)**	(11)
Reclassified to income statement on sale of joint venture		**–**	246
Share of other comprehensive income from associates and joint ventures		**3**	–
Debt instruments at fair value through other comprehensive income:			
Net valuation (losses)/gains taken to equity		**(331)**	639
Reclassified to income statement		**(96)**	(353)
Net impact of expected credit losses		**29**	19
Cash flow hedges:			
Net losses taken to equity		**(35)**	(9)
Reclassified to income statement	13	**14**	9
Taxation relating to components of other comprehensive income	10	**68**	(47)
Other comprehensive (loss)/income for the year, net of taxation		**(599)**	266
Total comprehensive income for the year		**1,039**	288
Total comprehensive income attributable to:			
Non-controlling interests	28	**4**	44
Parent company shareholders		**1,035**	244
Total comprehensive income for the year		**1,039**	288

Consolidated balance sheet

As at 31 December 2021

	Notes	Group 2021 $million	Group 2020 (Restated)[1] $million	Company 2021 $million	Company 2020 (Restated)[1] $million
Assets					
Cash and balances at central banks	12, 34	**61,963**	58,117	**48,165**	46,476
Financial assets held at fair value through profit or loss	12	**106,529**	84,954	**99,705**	80,626
Derivative financial instruments	12, 13	**53,245**	69,225	**53,478**	68,910
Loans and advances to banks	12, 14	**29,999**	27,666	**16,117**	14,997
Loans and advances to customers	12, 14	**144,799**	140,861	**71,161**	72,969
Investment securities	12	**102,280**	86,087	**86,389**	71,102
Other assets	19	**31,970**	33,390	**25,688**	28,896
Due from subsidiary undertakings and other related parties		**6,235**	5,612	**10,741**	10,885
Current tax assets	10	**648**	808	**487**	605
Prepayments and accrued income		**1,317**	1,357	**905**	958
Interests in associates and joint ventures	31	**156**	79	**–**	–
Investments in subsidiary undertakings	31	**–**	–	**9,694**	8,258
Goodwill and intangible assets	16	**3,800**	3,496	**2,121**	1,958
Property, plant and equipment	17	**1,071**	1,201	**627**	708
Deferred tax assets	10	**681**	648	**508**	486
Assets classified as held for sale	20	**98**	92	**91**	89
Total assets		**544,791**	513,593	**425,877**	407,923
Liabilities					
Deposits by banks	12	**25,205**	23,761	**18,870**	18,482
Customer accounts	12	**242,331**	216,719	**135,478**	122,061
Repurchase agreements and other similar secured borrowing	12	**325**	20	**283**	–
Financial liabilities held at fair value through profit or loss	12	**75,552**	59,714	**73,902**	59,101
Derivative financial instruments	12, 13	**53,586**	69,068	**53,835**	68,423
Debt securities in issue	12,21	**36,060**	29,356	**33,826**	27,661
Other liabilities	22	**26,013**	29,788	**20,460**	23,434
Due to parent companies, subsidiary undertakings & other related parties		**30,998**	32,326	**40,745**	43,012
Current tax liabilities	10	**336**	345	**168**	250
Accruals and deferred income		**3,064**	2,990	**1,550**	1,411
Subordinated liabilities and other borrowed funds	12, 26	**14,615**	14,879	**14,076**	14,339
Deferred tax liabilities	10	**669**	579	**583**	505
Provisions for liabilities and charges	23	**396**	400	**298**	336
Retirement benefit obligations	29	**204**	419	**156**	367
Total liabilities		**509,354**	480,364	**394,230**	379,382
Equity					
Share capital and share premium account	27	**22,393**	21,120	**22,393**	21,120
Other reserves		**(4,231)**	(3,512)	**(2,089)**	(1,736)
Retained earnings		**11,278**	11,367[1]	**6,594**	6,157[1]
Total parent company shareholders' equity		**29,440**	28,975	**26,898**	25,541
Other equity instruments	27	**4,749**	3,000	**4,749**	3,000
Total equity excluding non-controlling interests		**34,189**	31,975	**31,647**	28,541
Non-controlling interests	28	**1,248**	1,254	**–**	–
Total equity		**35,437**	33,229	**31,647**	28,541
Total equity and liabilities		**544,791**	513,593	**425,877**	407,923

1 Includes correction of fair value hedge accounting adjustment $81 million

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these financial statements. The Company profit for the year after tax is $2,146 million (31 December 2020: loss after tax $141 million).

The notes on pages 174 to 324 form an integral part of these financial statements.

These financial statements were approved by the Court of Directors and authorised for issue on 17 February 2022 and signed on its behalf by:

Bill Winters, Director

Andy Halford, Director

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Share capital and share premium account $million	Capital and merger reserves $million	Own credit adjustment reserve $million	Fair value through other comprehensive income reserve – debt $million	Fair value through other comprehensive income reserve – equity $million	Cash flow hedge reserve $million	Translation reserve $million	Retained earnings $million	Parent company shareholders' equity $million	Other equity instruments $million	Non-controlling interests $million	Total $million
As at 1 January 2020	20,820	40[1]	24	202	38	(11)	(4,106)	11,826[2]	28,833	5,000	1,289	35,122
(Loss)/profit for the year	–	–	–	–	–	–	–	(25)	(25)	–	47	22
Other comprehensive (loss)/ income	–	–	(52)	240	44	16	29	(8)[3]	269	–	(3)	266
Distributions	–	–	–	–	–	–	–	–	–	–	(79)	(79)
Shares issued, net of expenses	300	–	–	–	–	–	–	–	300	–	–	300
Redemption of other equity instruments	–	–	–	–	–	–	–	–	–	(2,000)	–	(2,000)
Share option expenses	–	–	–	–	–	–	–	124	124	–	–	124
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	(458)	(458)	–	–	(458)
Deemed distribution to parent[4]	–	–	–	–	–	–	–	(111)	(111)	–	–	(111)
Other movements	–	–	–	–	–	–	24	19[5]	43	–	–	43
As at 31 December 2020	**21,120**	**40**	**(28)**	**442**	**82**	**5**	**(4,053)**	**11,367**	**28,975**	**3,000**	**1,254**	**33,229**
Profit for the year	–	–	–	–	–	–	–	1,609	1,609	–	29	1,638
Other comprehensive income/(loss)	–	–	25	(330)	93	(16)	(501)	155[3]	(574)	–	(25)	(599)
Distributions	–	–	–	–	–	–	–	–	–	–	(83)	(83)
Shares issued, net of expenses	1,273	–	–	–	–	–	–	–	1,273	–	–	1,273
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	–	2,750	–	2,750
Redemption of other equity instruments	–	–	–	–	–	–	–	(41)	(41)	(1,001)	–	(1,042)
Share option expenses	–	–	–	–	–	–	–	137	137	–	–	137
Dividends on ordinary shares	–	–	–	–	–	–	–	(1,511)	(1,511)	–	–	(1,511)
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	(292)	(292)	–	–	(292)
Deemed distribution to parent[4]	–	–	–	–	–	–	–	(136)	(136)	–	–	(136)
Other movements	–	–	–	–	–	–	10[6]	(10)	–	–	73[7]	73
As at 31 December 2021	**22,393**	**40**	**(3)**	**112**	**175**	**(11)**	**(4,544)**	**11,278**	**29,440**	**4,749**	**1,248**	**35,437**

1 Includes capital reserve of $35 million, capital redemption reserve of $5 million

2 Includes to correction of fair value hedge accounting adjustment $81 million

3 Comprises actuarial (loss)/gain, net of taxation on Group defined benefit schemes

4 Relates to deemed capital contribution from parent company arising from share-based payment net of taxation of $136 million (31 December 2020: $111 million deemed capital contribution arising from share-based payment net of taxation)

5 Includes $24 million loss related to prior period adjustments to reclass FX movements from translation reserve to retained earnings related to FX movements for monetary items, which were considered structural positions, offset by $34 million relating to prior year opening reserves adjustment

6 Movement related to translation adjustment

7 Movements related to non-controlling interest from Trust Bank Singapore Limited ($70 million) and Zodia Markets Holdings Limited ($3 million)

Note 27 includes a description of each reserve.

The notes on pages 174 to 324 form an integral part of these financial statements.

Cash flow statement
For the year ended 31 December 2021

	Notes	Group 2021 $million	Group 2020 $million	Company 2021 $million	Company 2020 $million
Cash flows from operating activities:					
Profit before taxation		**2,381**	536	**2,496**	255
Adjustments for non-cash items and other adjustments included within income statement	33	**472**	2,651	**(659)**	1,462
Change in operating assets	33	**(13,366)**	(15,363)	**(1,178)**	(3,622)
Change in operating liabilities	33	**37,603**	21,612	**18,902**	13,290
Contributions to defined benefit schemes	29	**(94)**	(87)	**(82)**	(75)
UK and overseas taxes paid	10	**(557)**	(689)	**(274)**	(418)
Net cash from operating activities		**26,439**	8,660	**19,205**	10,892
Cash flows from investing activities:					
Internally generated Capitalised Software	16	**(738)**	–	**(503)**	–
Purchase of property, plant and equipment	17	**(134)**	(170)	**(67)**	(69)
Disposal of property, plant and equipment	17	**25**	25	**6**	20
Acquisition of investment in subsidiaries, associates, and joint ventures, net of cash acquired	32	**(35)**	(41)	**–**	–
Dividends received from subsidiaries, associates and joint ventures	32	**–**	–	**1,626**	403
Disposal of joint ventures, net of cash acquired	20	**–**	1,066	**–**	1,281
Purchase of investment securities		**(171,609)**	(169,673)	**(131,168)**	(139,256)
Disposal and maturity of investment securities		**153,093**	175,603	**113,905**	141,611
Net cash from/(used in)investing activities		**(19,398)**	6,810	**(16,201)**	3,990
Cash flows from financing activities:					
Issue of ordinary and preference share capital, net of expenses	27	**1,273**	300	**1,273**	300
Premises and equipment lease liability principal payment		**(112)**	(113)	**(72)**	(92)
Issue of Additional Tier 1 capital, net of expenses		**2,750**	–	2,750	–
Redemption of Tier 1 capital	27	**(1,042)**	(2,000)	**(1,042)**	(2,000)
Gross proceeds from issue of subordinated liabilities	33	**–**	4,630	**–**	4,630
Interest paid on subordinated liabilities	33	**(479)**	(503)	**(456)**	(480)
Repayment of subordinated liabilities	33	**(16)**	(2,869)	**(16)**	(2,869)
Proceeds from issue of senior debts	33	**2,833**	1,984	**660**	650
Repayment of senior debts	33	**(3,250)**	(1,310)	**(422)**	(577)
Interest paid on senior debts	33	**(16)**	(15)	**(16)**	(14)
Investment from non-controlling interests		**73**	–	**–**	–
Dividends paid to non-controlling interests, preference shareholders and AT1 securities		**(375)**	(537)	**(292)**	(458)
Dividends paid to ordinary shareholders		**(1,511)**	–	**(1,511)**	–
Net cash from/(used in)financing activities		**128**	(433)	**856**	(910)
Net increase in cash and cash equivalents		**7,169**	15,037	**3,860**	13,972
Cash and cash equivalents at beginning of the year		**75,910**	60,155	**56,151**	41,873
Effect of exchange rate movements on cash and cash equivalents		**(1,652)**	718	**(605)**	306
Cash and cash equivalents at end of the year		**81,427**	75,910	**59,406**	56,151

For Bank Group, interest received was $6,063 million (31 December 2020: $8,120 million), interest paid was $2,216 million (31 December 2020: $4,006 million).

For Bank Company, interest received was $3,583 million (31 December 2020: $5,332 million), interest paid was $1,627 million (31 December 2020: $2,901 million).

Company statement of changes in equity

For the year ended 31 December 2021

	Share capital and share premium account $million	Capital and merger reserves $million	Own credit adjustment reserve $million	Fair value through other comprehensive income reserve – debt $million	Fair value through other comprehensive income reserve – equity $million	Cash flow hedge reserve $million	Translation reserve $million	Retained earnings $million	Parent company shareholders' equity $million	Other equity instruments $million	Non-controlling interests $million	Total $million
As at 1 January 2020	20,820	40[1]	27	28	65	(27)	(2,039)	6,881[2]	25,795	5,000	–	30,795
Loss for the year	–	–	–	–	–	–	–	(141)	(141)	–	–	(141)
Other comprehensive (loss)/income	–	–	(52)	140	11	(5)	(56)	(4)[3]	34	–	–	34
Shares issued, net of expenses	300	–	–	–	–	–	–	–	300	–	–	300
Redemption of other equity instruments	–	–	–	–	–	–	–	–	–	(2,000)	–	(2,000)
Share option expenses	–	–	–	–	–	–	–	76	76	–	–	76
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	(458)	(458)	–	–	(458)
Deemed distribution to parent[4]	–	–	–	–	–	–	–	(65)	(65)	–	–	(65)
Other movements	–	–	–	–	–	–	132	(132)[5]	–	–	–	–
As at 31 December 2020	**21,120**	**40**	**(25)**	**168**	**76**	**(32)**	**(1,963)**	**6,157**	**25,541**	**3,000**	**–**	**28,541**
Profit for the year	–	–	–	–	–	–	–	2,146	2,146	–	–	2,146
Other comprehensive income/(loss)	–	–	26	(258)	72	(7)	(186)	146[3]	(207)	–	–	(207)
Shares issued, net of expenses	1,273	–	–	–	–	–	–	–	1,273	–	–	1,273
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	–	2,750	–	2,750
Redemption of other equity instruments	–	–	–	–	–	–	–	(41)	(41)	(1,001)	–	(1,042)
Share option expenses	–	–	–	–	–	–	–	86	86	–	–	86
Dividends on ordinary shares	–	–	–	–	–	–	–	(1,511)	(1,511)	–	–	(1,511)
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	(292)	(292)	–	–	(292)
Deemed distribution to parent[4]	–	–	–	–	–	–	–	(85)	(85)	–	–	(85)
Other movements	–	–	–	–	–	–	–	(12)[6]	(12)	–	–	(12)
As at 31 December 2021	**22,393**	**40**	**1**	**(90)**	**148**	**(39)**	**(2,149)**	**6,594**	**26,898**	**4,749**	**–**	**31,647**

1 Includes capital reserve of $35 million, capital redemption reserve of $5 million

2 Includes correction of fair value hedge accounting adjustment $81 million

3 Comprises actuarial (loss) /gain, net of taxation on Group defined benefit schemes

4 Relates to deemed capital contribution from parent company arising from share-based payment net of taxation of $85 million (31 December 2020: $65 million deemed capital contribution arising from share-based payment net of taxation)

5 Relates to prior period adjustments to reclass FX movements from translation reserve to retained earnings related to FX movements for monetary items, which were considered structural positions

6 Standard Chartered Bank Saudi Arabia branch start-up costs $(12) million

Note 27 includes a description of each reserve.

The notes on pages 174 to 324 form an integral part of these financial statements.

Contents – Notes to the financial statements

Notes to the financial statements

1. Accounting policies

Statement of compliance
The Group financial statements consolidate Standard Chartered Bank (the Company) and its subsidiaries (together referred to as the Group) and equity account the Group's interests in associates and jointly controlled entities. The Company financial statements present information about the Company as a separate entity.

The Group financial statements have been prepared in accordance with UK-adopted international accounting standards and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU IFRS). The Company financial statements have been prepared in accordance with UK-adopted international accounting standards as applied in conformity with section 408 of the Companies Act 2006. The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of preparation
The Group and Company financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of cash-settled share-based payments, fair value through other comprehensive income, and financial assets and liabilities (including derivatives) at fair value through profit or loss.

The consolidated financial statements are presented in United States dollars ($), being the presentation currency of the Group and functional currency of the Company, and all values are rounded to the nearest million dollars, except when otherwise indicated.

The Group has assessed the impact of climate risk on the Group's financial report. The areas of impact were credit risk and the impact on lending portfolios; ESG features within issued loans and bonds; physical risk on our mortgage lending portfolio; and, the corporate plan, in respect of which forward looking cash flows impact the recoverability of certain assets, including of goodwill, deferred tax assets and investments in subsidiary undertakings.

This assessment was undertaken by considering the maturity profile of the loan portfolio which is majority shorter term. Transition risk, as our clients move to lower carbon emitting revenues is considered with reference to client transition pathways and manifests over a longer term than the maturity of the loan book (up to 2050). Physical risk is already included within the majority of our mortgage lending and we have applied scenario analysis against the pathways of different temperature additions and country policy scenarios. We also assess the impact of climate risk on the classification of financial instruments under IFRS 9, when Environmental, Sustainability or Governance (ESG) triggers may affect the cash flows received by the Group under the contractual terms of the instrument.

Our corporate plan has a 5 year outlook and already includes where we have set target to transition away from certain high carbon sectors (i.e. coal), offset by transition finance opportunities. This is shorter term than many of the climate scenario outlooks but seeks to capture the nearer term performance as required by recoverability models.

Our process was limited in the context of this being an emerging area, particularly given of the availability of data and the sophistication of models, and so the potential impact of Climate Risk may not be fully reflected in these financial statements. The Group considers Climate Risk to have limited impact in the immediate term and as a longer term risk will be addressed through its business strategy and financial planning as the Group implements its net zero journey.

Significant accounting estimates and judgements
In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty and judgement, are set out in the relevant disclosure notes for the following areas:

- Credit impairment, including evaluation of management overlays and post-model adjustments, and determination of probability weightings for Stage 3 individually assessed provisions (Note 8)
- Taxation (Note 10)
- Financial instruments measured at fair value (Note 12)
- Goodwill impairment (Note 16)
- Provisions for liabilities and charges (Note 23)
- Investments in subsidiary undertakings, joint ventures and associates (Note 31)

1. Accounting policies continued

Comparatives

Certain comparatives have been represented in line with current year disclosures. Details of these changes are set out in the relevant sections and notes below:

- Risk review: various credit risk tables for change in segment policy
- Statement of changes in Equity
- Note 2 Segmental information
- Note 12 Financial instruments
- Note 16 Goodwill and intangible assets

New accounting standards adopted by the Group

Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has adopted amendments to IFRS 16 that permit the Group not to assess whether a rent concession granted as a direct consequence of the COVID-19 pandemic is accounted for as a lease modification. In March 2021 the IASB extended the availability of the practical expedient by one year and this was endorsed by the UK Endorsement Board on 12 May 2021, therefore a rent concession is deemed to be a direct consequence of COVID-19 if and only if all the following criteria are met:

- A change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due up to and including 30 June 2022 (this includes the case where the change results in reduced lease payments before this date and increased lease payments after this date); and
- There is no substantive change to other terms and conditions of the lease

The amendments have not had a material effect on the Group's financial statements.

New accounting standards in issue but not yet effective

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued in May 2017 to replace IFRS 4 Insurance Contracts and to establish a comprehensive standard for inceptors of insurance policies. The effective date is 1 January 2023. The Group is assessing the likely implementation impact on adopting the standards on its financial statements.

Amendments to IFRS 9 Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities

In May 2020 the IASB published its 2018-2020 annual improvements process which provides non-urgent but necessary amendments to IFRS. This publication included changes to IFRS 9 that will be effective prospectively from 1 January 2022, with early adoption permitted. Under these amendments, when assessing changes in terms of a financial liability, the only fees considered in the assessment of whether the terms of a new or modified financial liability are substantially different (i.e. a change in present value of more than 10 per cent) from the terms of the original financial liability are fees paid or received between the borrower or lender. This includes fees paid or received by either the borrower or lender on the other's behalf. The effect of these amendments is not expected to be material to the Group's financial statements.

Going concern

These financial statements were approved by the Court of directors on 17 February 2022. The directors have made an assessment of the Group's ability to continue as a going concern. This assessment has been made having considered the impact of COVID-19, macroeconomic and geopolitical headwinds, including:

- A review of the Group Strategy and Corporate plan, both of which cover a year from the date of signing the annual report.
- An assessment of the actual performance to date, loan book quality, credit impairment, legal, regulatory and compliance matters, and the updated annual revised budget.
- Consideration of stress testing performed by management, including COVID additional waves with the accompanying economic shocks, credit impact and short-term liquidity shocks, across the PLC Group's footprint markets (Which includes the Group) to ensure that the Group has sufficient capital to withstand this shock, under a range of scenarios, the results of these stress tests demonstrate that the PLC Group has sufficient capital and liquidity to continue as a going concern and meet minimum regulatory capital and liquidity requirements.

1. Accounting policies continued

- Analysis of the capital, funding and liquidity position of the Group, including the capital and leverage ratios, and ICAAP which summarises the Group's capital and risk assessment processes, assesses its capital requirements and the adequacy of resources to meet them. Further, funding and liquidity was considered in the context of the risk appetite metrics, including the ADR and LCR ratios
- The Group's Internal Liquidity Adequacy Assessment Process (ILAAP), which considers the Group's liquidity position, its framework and whether sufficient liquidity resources are being maintained to meet liabilities as they fall due, was also reviewed
- The level of debt in issue, including redemptions and issuances during the year, debt falling due for repayment in the next 12 months and further planned debt issuances, including the appetite in the market for the Group's debt
- A detailed review of all principal and emerging risks

Based on the analysis performed, the directors confirm they are satisfied that the Group has adequate resources to continue in business for a period of 12 months from the 17 February 2022. For this reason, the Group continues to adopt the going concern basis of accounting for preparing the financial statements.

2. Segmental information

Accounting policy

The Group's segmental reporting is in accordance with IFRS 8 Operating Segments and is reported consistently with the internal performance framework and as presented to the Group's Management Team. The two client segments are Corporate, Commercial & Institutional Banking and Consumer, Private and Business Banking. The three geographic regions are 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, SC Ventures 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

2. Segmental information continued

Basis of preparation

The analysis reflects how the client segments and geographic regions are managed internally. This is described as the Management View (on an underlying basis) and is principally the location from which a client relationship is managed, which may differ from where it is financially booked and may be shared between businesses and/or regions. In certain instances this approach is not appropriate and a Financial View is disclosed, that is, the location in which the transaction or balance was booked. Typically, the Financial View is used in areas such as the Market and Liquidity Risk reviews where actual booking location is more important for an assessment. Segmental information is therefore on a Management View unless otherwise stated.

Restructuring items excluded from underlying results

The Group incurred net restructuring charges of $325 million in 2021 (2020: $272 million), of which $214 million (2020: $183 million) related to planned initiatives to reduce ongoing costs.

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

Profit before taxation (PBT)

	2021					
	Underlying $million	Regulatory fine $million	Restructuring $million	Net gains on disposal of available for sale instruments $million	Goodwill impairment $million	Statutory $million
Operating income	8,914	–	(74)	20	–	8,860
Operating expenses	(6,204)	(62)	(214)	–	–	(6,480)
Operating profit/(loss) before impairment losses and taxation	2,710	(62)	(288)	20	–	2,380
Credit impairment	28	–	2	–	–	30
Other impairment	9	–	(39)	–	–	(30)
Profit from associates and joint ventures	1	–	–	–	–	1
Profit/(loss) before taxation	2,748	(62)	(325)	20	–	2,381

	2020					
	Underlying $million	Regulatory fine $million	Restructuring $million	Net gains on disposal of available for sale instruments $million	Goodwill impairment $million	Statutory $million
Operating income	9,285	–	(55)	6	–	9,236
Operating expenses	(6,294)	14	(183)	–	–	(6,463)
Operating profit/(loss) before impairment losses and taxation	2,991	14	(238)	6	–	2,773
Credit impairment	(1,948)	–	(28)	–	–	(1,976)
Other impairment	147	–	(6)	–	(403)	(262)
Profit from associates and joint ventures	1	–	–	–	–	1
Profit/(loss) before taxation	1,191	14	(272)	6	(403)	536

2. Segmental information continued

Underlying performance by client segment

	2021			
	Corporate, Commercial& Institutional Banking $million	Consumer Private & Business Banking $million	Central & other items $million	Total $million
Operating income	5,703	2,679	532	8,914
External	5,560	2,322	1,032	8,914
Inter-segment	143	357	(500)	–
Operating expenses	(3,591)	(2,008)	(605)	(6,204)
Operating profit before impairment losses and taxation	2,112	671	(73)	2,710
Credit impairment	216	(169)	(19)	28
Other impairment	(39)	–	48	9
Profit from associates and joint ventures	–	–	1	1
Underlying profit/(loss) before taxation	2,289	502	(43)	2,748
Restructuring	(108)	(47)	(170)	(325)
Goodwill impairment & other items	–	–	(42)	(42)
Statutory profit/(loss) before taxation	2,181	455	(255)	2,381
Total assets	299,608	47,548	197,635	544,791
Total liabilities	340,801	65,771	102,782	509,354

	2020[1]			
	Corporate, Commercial& Institutional Banking $million	Consumer Private & Business Banking $million	Central & other items $million	Total $million
Operating income	5,858	2,619	808	9,285
External	6,046	2,119	1,120	9,285
Inter-segment	(188)	500	(312)	–
Operating expenses	(3,538)	(1,983)	(773)	(6,294)
Operating profit before impairment losses and taxation	2,320	636	35	2,991
Credit impairment	(1,402)	(523)	(23)	(1,948)
Other impairment	278	(10)	(121)	147
Profit from associates and joint ventures	–	–	1	1
Underlying profit before taxation	1,196	103	(108)	1,191
Restructuring	(142)	(49)	(81)	(272)
Goodwill impairment & other items	–	–	(383)	(383)
Statutory profit/(loss) before taxation	1,054	54	(572)	536
Total assets	287,164	42,734	183,695	513,593
Total liabilities	341,770	61,758	76,836	480,364

1 Following an organisational restructure that came into effect on 1 January 2021, the new structure results in the creation of two new client segments: Corporate, Commercial & Institutional Banking, serving larger companies and institutions, and Consumer, Private & Business Banking, serving Individual and business clients

Operating income by client segment

	2021			
	Corporate, Commercial& Institutional Banking $million	Consumer Private & Business Banking $million	Central & other items $million	Total $million
Underlying operating income	5,703	2,679	532	8,914
Restructuring	(33)	–	(41)	(74)
Other items	–	–	20	20
Statutory operating income	5,670	2,679	511	8,860

2. Segmental information continued

	2020 (restated)[1]			
	Corporate, Commercial& Institutional Banking $million	Consumer Private & Business Banking $million	Central & other items $million	Total $million
Underlying operating income	5,858	2,619	808	9,285
Restructuring	(41)	–	(14)	(55)
Other items	–	–	6	6
Statutory operating income	5,817	2,619	800	9,236

1 Following an organisational restructure that came into effect on 1 January 2021, the new structure results in the creation of two new client segments: Corporate, Commercial & Institutional Banking, serving larger companies and institutions, and Consumer, Private & Business Banking, serving Individual and business clients

Underlying performance by region

	2021				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	4,274	2,435	2,006	199	8,914
Operating expenses	(2,635)	(1,610)	(1,444)	(515)	(6,204)
Operating profit/(loss) before impairment losses and taxation	1,639	825	562	(316)	2,710
Credit impairment	(112)	34	120	(14)	28
Other impairment	–	(1)	33	(23)	9
Profit from associates and joint ventures	–	–	–	1	1
Underlying profit/(loss) before taxation	1,527	858	715	(352)	2,748
Restructuring	(84)	(26)	(89)	(126)	(325)
Goodwill impairment & other items	–	–	–	(42)	(42)
Statutory profit/(loss) before taxation	1,443	832	626	(520)	2,381
Total assets	163,441	57,404	287,372	36,574	544,791
Total liabilities	146,644	41,257	238,220	83,233	509,354

	2020 (restated)[1]				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	4,337	2,356	2,065	527	9,285
Operating expenses	(2,608)	(1,672)	(1,286)	(728)	(6,294)
Operating profit before impairment losses and taxation	1,729	684	779	(201)	2,991
Credit impairment	(1,130)	(654)	(171)	7	(1,948)
Other impairment	163	(14)	8	(10)	147
Profit from associates and joint ventures	–	–	–	1	1
Underlying profit before taxation	762	16	616	(203)	1,191
Restructuring	(41)	(87)	(32)	(112)	(272)
Goodwill impairment & other items	–	–	–	(383)	(383)
Statutory profit/(loss) before taxation	721	(71)	584	(698)	536
Total assets	155,961	58,068	263,258	36,306	513,593
Total liabilities	134,859	39,977	217,964	87,564	480,364

1 Following the Group's change in organisational structure, there has been an integration of Greater China & North Asia and ASEAN & South Asia to Asia. Prior year has been restated.

2. Segmental information continued

Operating income by region

	2021				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Underlying operating income	**4,274**	**2,435**	**2,006**	**199**	**8,914**
Restructuring	**(11)**	**3**	**(31)**	**(35)**	**(74)**
Other items	**–**	**–**	**–**	**20**	**20**
Statutory operating income	**4,263**	**2,438**	**1,975**	**184**	**8,860**

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

1 Following an organisational restructure that came into effect on 1 January 2021, the new structure results in the creation of two new client segments: Corporate, Commercial & Institutional Banking, serving larger companies and institutions, and Consumer, Private & Business Banking, serving Individual and business clients

Additional segmental information (statutory)

	2021			
	Corporate, Commercial& Institutional Banking $million	Consumer Private & Business Banking $million	Central & other items $million	Total $million
Net interest income	**2,267**	**1,464**	**321**	**4,052**
Net fees and commission income	**1,325**	**1,076**	**(5)**	**2,396**
Net trading and other income	**2,078**	**139**	**195**	**2,412**
Operating income	**5,670**	**2,679**	**511**	**8,860**

	2020 (restated)[1]			
	Corporate, Commercial& Institutional Banking $million	Consumer Private & Business Banking $million	Central & other items $million	Total $million
Net interest income	2,329	1,546	225	4,100
Net fees and commission income	1,095	916	(6)	2,005
Net trading and other income	2,393	157	581	3,131
Operating income	5,817	2,619	800	9,236

1 Following an organisational restructure that came into effect on 1 January 2021, the new structure results in the creation of two new client segments: Corporate, Commercial & Institutional Banking, serving larger companies and institutions, and Consumer, Private & Business Banking, serving Individual and business clients

2. Segmental information continued

Operating income by Region

	2021				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Net interest income	2,130	1,188	502	232	4,052
Net fees and commission income	1,234	605	563	(6)	2,396
Net trading and other income	899	645	910	(42)	2,412
Operating income	**4,263**	**2,438**	**1,975**	**184**	**8,860**

	2020 (restated)[1]				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Net interest income	2,058	1,224	336	482	4,100
Net fees and commission income	1,010	525	523	(53)	2,005
Net trading and other income	1,266	606	1,206	53	3,131
Operating income	4,334	2,355	2,065	482	9,236

1 Following the Group's change in organisational structure, there has been an integration of Greater China & North Asia and ASEAN & South Asia to Asia. Prior period has been restated

Operating income by Key Countries

	2021				
	Singapore $million	India $million	UAE $million	UK $million	US $million
Net interest income	730	705	228	227	198
Net fees and commission income	664	231	100	21	428
Net trading and other income	187	337	215	671	201
Operating income	**1,581**	**1,273**	**543**	**919**	**827**

	2020				
	Singapore $million	India $million	UAE $million	UK $million	US $million
Net interest income	664	664	281	82	170
Net fees and commission income	522	195	111	54	379
Net trading and other income	350	379	173	946	241
Operating income	1,536	1,238	565	1,082	790

3. Net interest income

Accounting Policy

Interest income for financial assets held at either fair value through other comprehensive income or amortised cost, and interest expense on all financial liabilities held at amortised cost is recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Where the estimates of cash flows have been revised, the carrying amount of the financial asset or liability is adjusted to reflect the actual and revised cash flows, discounted at the instruments original effective interest rate. The adjustment is recognised as interest income or expense in the period in which the revision is made.

Interest income for financial assets that are either held at fair value through other comprehensive income or amortised cost that have become credit-impaired subsequent to initial recognition (stage 3), is recognised using the original effective interest rate applied to the net carrying value. 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 gross carrying value of the financial asset.

	2021 $million	2020 $million
Balances at central banks	67	90
Loans and advances to banks	321	552
Loans and advances to customers	4,061	5,052
Debt securities	1,240	1,614
Other eligible bills	285	423
Accrued on impaired assets (discount unwind)	211[1]	76
Interest income	6,185	7,807
Of which: financial instruments held at fair value through other comprehensive income	1,018	1,397
Deposits by banks	68	156
Customer accounts	1,927	2,721
Debt securities in issue	98	251
Subordinated liabilities and other borrowed funds	6	540
Interest expense on IFRS 16 lease liabilities	34	39
Interest expense	2,133	3,707
Net interest income	4,052	4,100

1 Includes a $163 million adjustment in relation to interest earned on impaired assets as required by IFRS9 Financial Instruments Recognition and Measurement

4. Net fees and commission

Accounting policy

Fees and commissions charged for services provided by the Group are recognised as or when the service is completed or significant act performed.

Loan syndication fees are recognised as revenue when the syndication has been completed and the Group retained no part of the loan package for itself, or retained a part at the same effective interest rate as for the other participants.

The Group can act as trustee or in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets and income of the Group.

The Group applies the following practical expedients:

- information on amounts of transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations at the end of the reporting period is not disclosed as almost all fee-earning contracts have an expected duration of less than one year
- promised consideration is not adjusted for the effects of a significant financing component as the period between the Group providing a service and the customer paying for it is expected to be less than one year
- incremental costs of obtaining a fee-earning contract are recognised upfront in 'Fees and commission expense' rather than amortised, if the expected term of the contract is less than one year

The determination of the services performed for the customer, the transaction price, and when the services are completed depends on the nature of the product with the customer. The main considerations on income recognition by product are as follows:

Transaction Banking

The Group recognises fee income associated with transactional trade and cash management at the point in time the service is provided. The Group recognises income associated with trade contingent risk exposures (such as letters of credit and guarantees) over the period in which the service is provided.

Payment of fees is usually received at the same time the service is provided. In some cases, letters of credit and guarantees issued by the Group have annual upfront premiums, which are amortised on a straight-line basis to fee income over the year.

Financial Markets

The Group recognises fee income at the point in time the service is provided. Fee income is recognised for a significant non-lending service when the transaction has been completed and the terms of the contract with the customer entitle the Group to the fee. Fees are usually received shortly after the service is provided.

Syndication fees are recognised when the syndication is complete. Fees are generally received before completion of the syndication, or within 12 months of the transaction date.

Securities services include custody services, fund accounting and administration, and broker clearing. Fees are recognised over the period the custody or fund management services are provided, or as and when broker services are requested.

Wealth Management

Upfront consideration on bancassurance agreements is amortised straight-line over the contractual term. Commissions for bancassurance activities are recorded as they are earned through sales of third-party insurance products to customers. These commissions are received within a short time frame of the commission being earned. Target-linked fees are accrued based on percentage of the target achieved, provided it is assessed as highly probable that the target will be met. Cash payment is received at a contractually specified date after achievement of a target has been confirmed.

Upfront and trailing commissions for managed investment placements are recorded as they are confirmed. Income from these activities is relatively even throughout the period, and cash is usually received within a short time frame after the commission is earned

Retail Products

The Group recognises most income at the point in time the Group is entitled to the fee, since most services are provided at the time of the customer's request.

Credit card annual fees are recognised at the time the fee is received since in most of our retail markets there are contractual circumstances under which fees are waived, so income recognition is constrained until the uncertainties associated with the annual fee are resolved. The Group defers the fair value of reward points on its credit card reward programmes, and recognises income and costs associated with fulfilling the reward at the time of redemption.

4. Net fees and commission continued

	2021 $million	2020 $million
Fees and commissions income	2,972	2,601
Of which:		
Financial instruments that are not fair valued through profit or loss	962	873
Trust and other fiduciary activities	276	127
Fees and commissions expense	(576)	(596)
Of which:		
Financial instruments that are not fair valued through profit or loss	(182)	(175)
Trust and other fiduciary activities	(9)	(4)
Net fees and commission	2,396	2,005

	2021			
	Corporate, Commercial& Institutional Banking $million	Consumer Private & Business Banking $million	Central & other items $million	Total $million
Transaction Banking	936	27	–	963
Trade	489	18	–	507
Cash Management	447	9	–	456
Financial Markets	290	–	–	290
Lending and Portfolio Management	104	1	–	105
Principal Finance	(5)	–	–	(5)
Wealth Management	–	832	–	832
Retail Products	–	236	–	236
Treasury	–	–	(21)	(21)
Others	–	(20)	16	(4)
Net fees and commission	1,325	1,076	(5)	2,396

	2020 (Restated)1			
	Corporate, Commercial& Institutional Banking[1] $million	Consumer Private & Business Banking[1] $million	Central & other items $million	Total $million
Transaction Banking	825	21	–	846
Trade	430	13	–	443
Cash Management	395	8	–	403
Financial Markets	213	1	–	214
Lending and Portfolio Management	56	–	–	56
Principal Finance	1	–	–	1
Wealth Management	–	692	–	692
Retail Products	–	202	–	202
Treasury	–	–	(1)	(1)
Others	–	–	(5)	(5)
Net fees and commission	1,095	916	(6)	2,005

1 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking; Private Banking and Retail Banking to Consumer, Private & Business Banking. Further, certain clients have been moved between the two new client segments. Prior period has been restated

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 $634 million (31 December 2020: $718 million). The income will be earned evenly over the next 7.5 years (31 December 2020: 8.5 years). For the twelve months ended 31 December 2021, $84 million of fee income was released from deferred income (31 December 2020: $84 million).

5. Net trading income

Accounting policy

Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss are recorded in net trading income in the period in which they arise. This includes contractual interest receivable or payable.

Income is recognised from the sale and purchase of trading positions, margins on market making and customer business and fair value changes.

When the initial fair value of a financial instrument held at fair value through profit or loss relies on unobservable inputs, the difference between the initial valuation and the transaction price is amortised to net trading income as the inputs become observable or over the life of the instrument, whichever is shorter. Any unamortised 'day one' gain is released to net trading income if the transaction is terminated.

	2021 $million	2020 $million
Net trading income	**2,280**	2,606
Significant items within net trading income include:		
Gains on instruments held for trading[1]	**2,291**	2,205
Gains on financial assets mandatorily at fair value through profit or loss	**136**	619
Losses on financial assets designated at fair value through profit or loss	**(5)**	(5)
Losses on financial liabilities designated at fair value through profit or loss	**(53)**	(171)

1 Includes $187 million gain (31 December 2020: $275 million loss) from the transaction of foreign currency monetary assets and liabilities

6. Other operating income

Accounting policy

Operating lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

Dividends on equity instruments are recognised when the Group's right to receive payment is established.

On disposal of fair value through other comprehensive income debt instruments, the cumulative gain or loss recognised in other comprehensive income is recycled to the profit or loss in other operating income/expense.

When the Group loses control of the subsidiary or disposal group, the difference between the consideration received and the carrying amount of the subsidiary or disposal group is recognised as a gain or loss on sale of the business.

	2021 $million	2020 $million
Other operating income includes:		
Rental income from operating lease assets	**2**	2
Gains less losses on disposal of fair value through other comprehensive income debt instruments	**96**	353
Gains less losses on amortised cost financial assets	**34**	2
Net gain on sale of businesses	**12**	6
Dividend income	**11**	56
Other	**(23)**	106
Other operating income	**132**	525

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 the Directors' remuneration report (pages 309 to 310).

Pension costs: contributions to defined contribution pension schemes are recognised in profit or loss when payable. For defined benefit plans, net interest expense, service costs and expenses are recognised in the income statement. Further details are provided in Note 29.

7. Operating expenses continued

Share-based compensation: the Group operates equity-settled and cash-settled share-based payment compensation plans. The fair value of the employee services (measured by the fair value of the option granted) received in exchange for the grant of the options is recognised as an expense. Further details are provided in Note 30.

	2021 $million	2020 $million
Staff costs:		
Wages and salaries	**4,360**	3,957
Social security costs	**144**	116
Other pension costs (Note 29)	**274**	263
Share-based payment costs	**148**	119
Other staff costs	**665**	673
	5,591	5,128

Other staff costs include redundancy expenses of $88 million (31 December 2020: $125 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

	2021			2020		
	Business	**Support services**	**Total**	Business	Support services	Total
At 31 December	**19,515**	**45,758**	**65,273**	22,507	43,343	65,850
Average for the year	**19,986**	**45,481**	**65,467**	23,722	42,740	66,462

Company

	2021			2020		
	Business	**Support services**	**Total**	Business	Support services	Total
At 31 December	**8,032**	**12,534**	**20,566**	9,567	11,918	21,485
Average for the year	**8,211**	**12,618**	**20,829**	9,759	12,073	21,832

Details of directors' pay, benefits, pensions and benefits and interests in shares are disclosed in Note 38 Remuneration of Directors' (page 309). Transactions with directors, officers and other related parties are disclosed in Note 35.

	2021 $million	2020 $million
Premises and equipment expenses	**224**	249
General administrative expenses:		
UK bank levy	**100**	331
Regulatory fine	**62**	(14)
Other general administrative expenses[1]	**(91)**	97
	71	414
Depreciation and amortisation:		
Property, plant and equipment:		
Premises	**160**	168
Equipment	**90**	91
	250	259
Intangibles:		
Software	**339**	409
Acquired on business combinations	**5**	4
	594	672
Total operating expenses	**6,480**	6,463

1 Includes cost recoveries for services rendered to other Group entities

Operating expenses include research expenditure of $705 million (31 December 2020: $589 million) recognised as an expense in the year.

7. Operating expenses continued

The UK bank levy is applied on the chargeable equity and liabilities on the Group's consolidated balance sheet. Key exclusions from chargeable equity and liabilities include Tier 1 capital, insured or guaranteed retail deposits, repos secured on certain sovereign debt and liabilities subject to netting. The rate of the levy for 2020 was 0.14 per cent for chargeable short-term liabilities, with a lower rate of 0.07 per cent generally applied to chargeable equity and long-term liabilities (i.e. liabilities with a remaining maturity greater than one year). From 1 January 2021 the rates are 0.10 per cent for short-term liabilities and 0.05 per cent for long-term liabilities. In addition, the scope of the UK bank levy is restricted to the balance sheet of UK operations only from this date.

8. Credit impairment

Accounting policy

Significant accounting estimates and judgements

The Group's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions. The significant judgements in determining expected credit loss include:

- The Group's criteria for assessing if there has been a significant increase in credit risk;
- Development of expected credit loss models, including the choice of inputs relating to macroeconomic variables;
- Evaluation of management overlays and post-model adjustments;
- Determination of probability weightings for Stage 3 individually assessed provisions

The calculation of credit impairment provisions also involves expert credit judgement to be applied by the credit risk management team based upon counterparty information they receive from various sources including relationship managers and on external market information. Details on the approach for determining expected credit loss can be found in the credit risk section, under IFRS 9 Methodology (page 58).

Estimates of forecasts of key macroeconomic variables underlying the expected credit loss calculation can be found within the Risk review, Key assumptions and judgements in determining expected credit loss (page 100).

Expected credit losses

Expected credit losses are determined for all financial debt instruments that are classified at amortised cost or fair value through other comprehensive income, undrawn commitments and financial guarantees.

An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee.

A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive over the contractual life of the instrument.

Measurement

Expected credit losses are computed as unbiased, probability-weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information including that which is forward-looking.

For material portfolios, the estimate of expected cash shortfalls is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD). There may be multiple default events over the lifetime of an instrument. Further details on the components of PD, LGD and EAD are disclosed in the Credit risk section. For less material Retail Banking loan portfolios, the Group has adopted less sophisticated approaches based on historical roll rates or loss rates.

Forward-looking economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they influence credit risk, such as GDP growth rates, interest rates, house price indices and commodity prices among others. These assumptions are incorporated using the Group's most likely forecast for a range of macroeconomic assumptions. These forecasts are determined using all reasonable and supportable information, which includes both internally developed forecasts and those available externally, and are consistent with those used for budgeting, forecasting and capital planning.

To account for the potential non-linearity in credit losses, multiple forward-looking scenarios are incorporated into the range of reasonably possible outcomes for all material portfolios. For example, where there is a greater risk of downside credit losses than upside gains, multiple forward-looking economic scenarios are incorporated into the range of reasonably possible outcomes, both in respect of determining the PD (and where relevant, the LGD and EAD) and in determining the overall expected credit loss amounts. These scenarios are determined using a Monte Carlo approach centred around the Group's most likely forecast of macroeconomic assumptions.

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.

8. Credit impairment continued

For credit-impaired financial instruments, the estimate of cash shortfalls may require the use of expert credit judgement. The estimate of expected cash shortfalls on a collateralised financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, regardless of whether foreclosure is deemed probable.

Cash flows from unfunded credit enhancements held are included within the measurement of expected credit losses if they are part of, or integral to, the contractual terms of the instrument (this includes financial guarantees, unfunded risk participations and other non-derivative credit insurance). Although non-integral credit enhancements do not impact the measurement of expected credit losses, a reimbursement asset is recognised to the extent of the expected credit losses recorded.

Cash shortfalls are discounted using the effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired instruments (POCI)) on the financial instrument as calculated at initial recognition or if the instrument has a variable interest rate, the current effective interest rate determined under the contract.

Instruments	Location of expected credit loss provisions
Financial assets held at amortised cost	Loss provisions: netted against gross carrying value[1]
Financial assets held FVOCI – Debt instruments	Other comprehensive income (FVOCI expected credit loss reserve)[2]
Loan commitments	Provisions for liabilities and charges[3]
Financial guarantees	Provisions for liabilities and charges[3]

1 Purchased or originated credit-impaired assets do not attract an expected credit loss provision on initial recognition. An expected credit loss provision will be recognised only if there is an increase in expected credit losses from that considered at initial recognition

2 Debt and treasury securities classified as fair value through other comprehensive income (FVOCI) are held at fair value on the face of the balance sheet. The expected credit loss attributed to these instruments is held as a separate reserve within other comprehensive income (OCI) and is recycled to the profit and loss account along with any fair value measurement gains or losses held within FVOCI when the applicable instruments are derecognised

3 Expected credit loss on loan commitments and financial guarantees is recognised as a liability provision. Where a financial instrument includes both a loan (i.e. financial asset component) and an undrawn commitment (i.e. loan commitment component), and it is not possible to separately identify the expected credit loss on these components, expected credit loss amounts on the loan commitment are recognised together with expected credit loss amounts on the financial asset. To the extent the combined expected credit loss exceeds the gross carrying amount of the financial asset, the expected credit loss is recognised as a liability provision

Recognition

12 months expected credit losses (Stage 1)

Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit-impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

Significant increase in credit risk (Stage 2)

If a financial asset experiences a significant increase in credit risk (SICR) since initial recognition, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset.

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in expected credit loss. Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors, the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. For less material portfolios where a loss rate or roll rate approach is applied to compute expected credit loss, significant increase in credit risk is primarily based on 30 days past due.

Quantitative factors include an assessment of whether there has been significant increase in the forward-looking probability of default (PD) since origination. A forward-looking PD is one that is adjusted for future economic conditions to the extent these are correlated to changes in credit risk. We compare the residual lifetime PD at the balance sheet date to the residual lifetime PD that was expected at the time of origination for the same point in the term structure and determine whether both the absolute and relative change between the two exceeds predetermined thresholds. To the extent that the differences between the measures of default outlined exceed the defined thresholds, the instrument is considered to have experienced a significant increase in credit risk.

Qualitative factors assessed include those linked to current credit risk management processes, such as lending placed on non-purely precautionary early alert (and subject to closer monitoring).

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.

8. Credit impairment continued

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 83);
- Pending or actual bankruptcy or other financial reorganisation to avoid or delay discharge of the borrower's obligation/s;
- The disappearance of an active market for the applicable financial asset due to financial difficulties of the borrower;
- Purchase or origination of a financial asset at a deep discount that reflects incurred credit losses

Lending commitments to a credit-impaired obligor that have not yet been drawn down are included to the extent that the commitment cannot be withdrawn. Loss provisions against credit-impaired financial assets are determined based on an assessment of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate. The loss provisions held represent the difference between the present value of the expected cash shortfalls, discounted at the instrument's original effective interest rate, and the gross carrying value (including contractual interest due but not paid) of the instrument prior to any credit impairment. The Group's definition of default is aligned with the regulatory definition of default as set out in the UK's onshored Capital Requirements Regulation (Article 178) and related guidelines

Expert credit judgement

For Corporate, Commercial & Institutional Banking, Consumer, Private and Business Banking, borrowers are graded by credit risk management on a credit grading (CG) scale from CG1 to CG14. Once a borrower starts to exhibit credit deterioration, it will move along the credit grading scale in the performing book and when it is classified as CG12 the credit assessment and oversight of the loan will normally be performed by Group Special Assets Management (GSAM).

Borrowers graded CG12 exhibit well-defined weaknesses in areas such as management and/or performance but there is no current expectation of a loss of principal or interest. Where the impairment assessment indicates that there will be a loss of principal on a loan, the borrower is graded a CG14 while borrowers of other credit-impaired loans are graded CG13. Instruments graded CG13 or CG14 are regarded as stage 3.

For individually significant financial assets within stage 3, GSAM will consider all judgements that have an impact on the expected future cash flows of the asset. These include: the business prospects, industry and geo political climate of the customer, quality of realisable value of collateral, the Group's legal position relative to other claimants and any renegotiation/ forbearance/ modification options. The future cash flow calculation involves significant judgements and estimates. As new information becomes available and further negotiations/ forbearance measures are taken the estimates of the future cash flows will be revised, and will have an impact on the future cash flow analysis.

For financial assets which are not individually significant, such as the Retail Banking portfolio or small business loans, which comprise a large number of homogenous loans that share similar characteristics, statistical estimates and techniques are used, as well as credit scoring analysis.

Retail Banking clients are considered credit-impaired where they are more 90 days past due. Retail Banking products are also considered credit-impaired if the borrower files for bankruptcy or other forbearance programme, the borrower is deceased or the business is closed in the case of a small business, or if the borrower surrenders the collateral, or there is an identified fraud on the account. Additionally, if the account is unsecured and the borrower has other credit accounts with the Group that are considered credit-impaired, the account may be also be credit-impaired.

Techniques used to compute impairment amounts use models which analyse historical repayment and default rates over a time horizon. Where various models are used, judgement is required to analyse the available information provided and select the appropriate model or combination of models to use.

Expert credit judgement is also applied to determine whether any post-model adjustments are required for credit risk elements which are not captured by the models.

8. Credit impairment continued

Modified financial instruments

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised (an instrument is derecognised when a modification results in a change in cash flows that the Group would consider substantial), the resulting modification loss is recognised within credit impairment in the income statement with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the bank would not otherwise consider, the instrument is considered to be credit-impaired and is considered forborne.

Expected credit loss for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed (by comparison to the origination date) to determine whether there has been a significant increase in credit risk subsequent to the modification. Although loans may be modified for non-credit reasons, a significant increase in credit risk may occur. In addition to the recognition of modification gains and losses, the revised carrying value of modified financial assets will impact the calculation of expected credit losses, with any increase or decrease in expected credit loss recognised within impairment.

Forborne loans

Forborne loans are those loans that have been modified in response to a customer's financial difficulties. Forbearance strategies assist clients who are temporarily in financial distress and are unable to meet their original contractual repayment terms. Forbearance can be initiated by the client, the Group or a third-party including government sponsored programmes or a conglomerate of credit institutions. Forbearance may include debt restructuring such as new repayment schedules, payment deferrals, tenor extensions, interest only payments, lower interest rates, forgiveness of principal, interest or fees, or relaxation of loan covenants.

Forborne loans that have been modified (and not derecognised) on terms that are not consistent with those readily available in the market and/or where we have granted a concession compared to the original terms of the loans are considered credit-impaired if there is a detrimental impact on cash flows. The modification loss (see Classification and measurement – Modifications) is recognised in the profit or loss within credit impairment and the gross carrying value of the loan reduced by the same amount. The modified loan is disclosed as 'Loans subject to forbearance – credit-impaired'.

Loans that have been subject to a forbearance modification, but which are not considered credit-impaired (not classified as CG13 or CG14), are disclosed as 'Forborne – not credit-impaired'. This may include amendments to covenants within the contractual terms.

Write-offs of credit-impaired instruments and reversal of impairment

To the extent a financial debt instrument is considered irrecoverable, the applicable portion of the gross carrying value is written off against the related loan provision. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for credit impairment in the income statement.

Loss provisions on purchased or originated credit-impaired instruments (POCI)

The Group measures expected credit loss on a lifetime basis for POCI instruments throughout the life of the instrument. However, expected credit loss is not recognised in a separate loss provision on initial recognition for POCI instruments as the lifetime expected credit loss is inherent within the gross carrying amount of the instruments. The Group recognises the change in lifetime expected credit losses arising subsequent to initial recognition in the income statement and the cumulative change as a loss provision. Where lifetime expected credit losses on POCI instruments are less than those at initial recognition, then the favourable differences are recognised as impairment gains in the income statement (and as impairment loss where the expected credit losses are greater).

8. Credit impairment continued

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 being disclosed as forborne if the loan is performing (stage 1 or 2) and a further two-year probation period is met.

In order for a forborne loan to become performing, the following criteria have to be satisfied:

- At least a year has passed with no default based upon the forborne contract terms
- The customer is likely to repay its obligations in full without realising security
- The customer has no accumulated impairment against amount outstanding (except for ECL)

Subsequent to the criteria above, a further two-year probation period has to be fulfilled, whereby regular payments are made by the customer and none of the exposures to the customer are more than 30 days past due.

	2021 $million	2020 $million
Net credit impairment on loans and advances to banks and customers	**(30)**	1,858
Net credit impairment against profit or loss during the period relating to debt securities	**23**	32
Net credit impairment relating to financial guarantees and loan commitments	**(23)**	88
Net credit impairment relating to other financial assets	**–**	(2)
Credit impairment[1]	**(30)**	1,976

1 No material purchased or originated credit-impaired (POCI) assets

9. Goodwill, property, plant and equipment and other impairment

Accounting policy

Refer to the below referenced notes for the relevant accounting policy

	2021 $million	2020 $million
Impairment of goodwill (Note 16)	**–**	403
Impairment of property, plant and equipment (Note 17)	**39**	–
Impairment of other intangible assets (Note 16)	**3**	15
Other	**(12)**	(156)[1]
Plant and equipment and other impairment	**30**	(141)
Goodwill, property, plant and equipment and other impairment	**30**	262

1 Includes a reversal in 2020 of $165 million as a result of a recovery on a disputed derivative receivable, following a favourable court ruling

10. Taxation

Accounting policy

Income tax payable on profits is based on the applicable tax law in each jurisdiction and is recognised as an expense in the period in which profits arise.

Deferred tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted as at the balance sheet date, and that are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where permitted, deferred tax assets and liabilities are offset on an entity basis and not by component of deferred taxation.

Current and deferred tax relating to items which are charged or credited directly to equity, is credited or charged directly to equity and is subsequently recognised in the income statement together with the current or deferred gain or loss.

Significant accounting estimates and judgements

- Determining the Group's tax charge for the year involves estimation and judgement, which includes an interpretation of local tax laws and an assessment of whether the tax authorities will accept the position taken. These judgements take account of external advice where appropriate, and the Group's view on settling with the relevant tax authorities
- The Group provides for current tax liabilities at the best estimate of the amount that is expected to be paid to the tax authorities where an outflow is probable. In making its estimates, the Group assumes that the tax authorities will examine all the amounts reported to them and have full knowledge of all relevant information
- The recoverability of the Group's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised. In preparing management forecasts the effect of applicable laws and regulations relevant to the utilisation of future taxable profits have been considered.

The following table provides analysis of taxation charge in the year:

	2021 $million	2020 $million
The charge for taxation based upon the profit for the year comprises:		
Current tax:		
United Kingdom corporation tax at 19 per cent (2020:19 per cent):		
Current tax charge on income for the year	(1)	–
Adjustments in respect of prior years (including double tax relief)	–	(44)
Foreign tax:		
Current tax charge on income for the year	737	709
Adjustments in respect of prior years	(40)	(337)
	696	328
Deferred tax:		
Origination/reversal of temporary differences	112	(117)
Adjustments in respect of prior years	(65)	303
	47	186
Tax on profits on ordinary activities	743	514
Effective tax rate	31.2%	95.9%

The tax charge for the year of $743 million (31 December 2020: $514 million) on a profit before tax of $2,381 million (31 December 2020: $536 million) reflects the impact of non-deductible expenses, non-creditable withholding tax and the impact of countries with tax rates higher or lower than the UK, the most significant of which is India. The 2020 charge included adjustments in respect of prior years of $288 million, between current and deferred tax, relating to the treatment of loan impairments in India as deductible in the period they are impaired.

10. Taxation continued

Tax rate: The tax charge for the year is higher than the charge at the rate of corporation tax in the UK, 19 per cent. The differences are explained below:

	2021		2020	
	$million	%	$million	%
Profit on ordinary activities before tax	**2,381**		536	
Tax at 19 per cent (2020: 19 per cent)	**452**	**19.0**	102	19.0
Lower tax rates on overseas earnings	**(81)**	**(3.4)**	(22)	(4.1)
Higher tax rates on overseas earnings	**333**	**14.0**	269	50.2
Tax at domestic rates applicable where profits earned	**704**	**29.6**	349	65.1
Non-creditable withholding taxes	**103**	**4.3**	121	22.6
Tax exempt income	**(24)**	**(1.0)**	(69)	(12.9)
Non-deductible expenses[1]	**106**	**4.4**	123	22.9
Regulatory fine	**12**	**0.5**	–	–
Bank levy	**19**	**0.8**	63	11.8
Non-taxable (gains)/losses on investments	**(1)**	**–**	14	2.6
Payments on financial instruments in reserves	**(43)**	**(1.8)**	(73)	(13.6)
Goodwill impairment	**–**	**–**	77	14.4
Deferred tax not recognised	**2**	**0.1**	7	1.3
Deferred tax assets written-off	**1**	**–**	15	2.8
Deferred tax rate changes	**–**	**–**	(51)	(9.5)
Adjustments to tax charge in respect of prior years	**(105)**	**(4.4)**	(78)	(14.6)
Other items[1]	**(31)**	**(1.3)**	16	3.0
Tax on profit on ordinary activities	**743**	**31.2**	514	95.9

1 The 2020 comparatives have been reclassified as follows to align with presentation in the current period: non-deductible expenses by $96 million from $219 million to $123 million and other items by $96 million from $(80) million to $16 million.

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.

	2021			2020		
Tax recognised in other comprehensive income	**Current tax $million**	**Deferred tax $million**	**Total $million**	Current tax $million	Deferred tax $million	Total $million
Items that will not be reclassified to income statement	**–**	**(76)**	**(76)**	–	(14)	(14)
Own credit adjustment	**–**	**(3)**	**(3)**	–	2	2
Equity instruments at fair value through other comprehensive income	**–**	**(58)**	**(58)**	–	(26)	(26)
Retirement benefit obligations	**–**	**(15)**	**(15)**	–	10	10
Items that may be reclassed subsequently to income statement	**–**	**68**	**68**	(1)	(46)	(47)
Debt instruments at fair value through other comprehensive income	**–**	**63**	**63**	(1)	(62)	(63)
Cash flow hedges	**–**	**5**	**5**	–	16	16
Total tax charge recognised in equity	**–**	**(8)**	**(8)**	(1)	(60)	(61)

10. Taxation continued

Current tax: The following are the movements in current tax during the year:

	Group		Company	
Current tax comprises:	**2021 $million**	2020 $million	**2021 $million**	2020 $million
Current tax assets	**808**	532	**605**	326
Current tax liabilities	**(345)**	(449)	**(250)**	(259)
Net current tax opening balance	**463**	83	**355**	67
Movements in income statement	**(696)**	(328)	**(302)**	(145)
Movements in other comprehensive income	**–**	(1)	**–**	–
Taxes paid	**557**	689	**274**	418
Other movements	**(12)**	20	**(8)**	15
Net current tax balance as at 31 December	**312**	463	**319**	355
Current tax assets	**648**	808	**487**	605
Current tax liabilities	**(336)**	(345)	**(168)**	(250)
Total	**312**	463	**319**	355

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 2021 $million	**Exchange & other adjustments $million**	**(Charge)/ credit to profit $million**	**(Charge)/ credit to equity $million**	**At 31 December 2021 $million**
Deferred tax comprises:					
Accelerated tax depreciation	**(252)**	**5**	**(28)**	**–**	**(275)**
Impairment provisions on loans and advances	**305**	**7**	**(69)**	**–**	**243**
Tax losses carried forward	**143**	**(3)**	**9**	**–**	**149**
Fair value through other comprehensive income assets	**(122)**	**3**	**(2)**	**5**	**(116)**
Cash flow hedges	**(7)**	**–**	**–**	**5**	**(2)**
Own credit adjustment	**1**	**(1)**	**–**	**(3)**	**(3)**
Retirement benefit obligations	**29**	**9**	**(5)**	**(15)**	**18**
Share-based payments	**14**	**–**	**11**	**–**	**25**
Other temporary differences	**(42)**	**(22)**	**37**	**–**	**(27)**
Net deferred tax assets	**69**	**(2)**	**(47)**	**(8)**	**12**

	At 1 January 2020 $million	Exchange & other adjustments $million	(Charge)/ credit to profit $million	(Charge)/ credit to equity $million	At 31 December 2020 $million
Deferred tax comprises:					
Accelerated tax depreciation	(302)	(1)	51	–	(252)
Impairment provisions on loans and advances	854	(19)	(530)	–	305
Tax losses carried forward	94	(2)	51	–	143
Fair value through other comprehensive income assets	(33)	1	(2)	(88)	(122)
Cash flow hedges	(22)	(1)	–	16	(7)
Own credit adjustment	(2)	1	–	2	1
Retirement benefit obligations	18	–	1	10	29
Share-based payments	(1)	1	14	–	14
Other temporary differences	(273)	1	229	1	(42)
Net deferred tax assets	333	(19)	(186)	(59)	69

10. Taxation continued

Deferred tax comprises assets and liabilities as follows:

	2021			2020		
	Total $million	Asset $million	Liability $million	Total $million	Asset $million	Liability $million
Deferred tax comprises:						
Accelerated tax depreciation	(275)	18	(293)	(252)	25	(277)
Impairment provisions on loans and advances	243	300	(57)	305	277	28
Tax losses carried forward	149	148	1	143	137	6
Fair value through other comprehensive income assets	(116)	(14)	(102)	(122)	(37)	(85)
Cash flow hedges	(2)	(3)	1	(7)	(3)	(4)
Own credit adjustment	(3)	–	(3)	1	–	1
Retirement benefit obligations	18	13	5	29	27	2
Share-based payments	25	(1)	26	14	(1)	15
Other temporary differences	(27)	220	(247)	(42)	223	(265)
	12	681	(669)	69	648	(579)

Deferred tax: The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the year:

Company

	At 1 January 2021 $million	Exchange & other adjustments $million	(Charge)/ credit to profit $million	(Charge)/ credit to equity $million	At 31 December 2021 $million
Deferred tax comprises:					
Accelerated tax depreciation	(251)	5	(8)	–	(254)
Impairment provisions on loans and advances	226	11	(61)	–	176
Tax losses carried forward	106	–	8	–	114
Fair value through other comprehensive income assets	(89)	1	–	2	(86)
Cash flow hedges	(3)	–	–	–	(3)
Own credit adjustment	1	–	–	(4)	(3)
Retirement benefit obligations	21	10	(4)	(13)	14
Share-based payments	4	–	5	–	9
Other temporary differences	(34)	(20)	12	–	(42)
Net deferred tax liabilities	(19)	7	(48)	(15)	(75)

	At 1 January 2020 $million	Exchange & other adjustments $million	(Charge)/ credit to profit $million	(Charge)/ credit to equity $million	At 31 December 2020 $million
Deferred tax comprises:					
Accelerated tax depreciation	(288)	(4)	41	–	(251)
Impairment provisions on loans and advances	814	(19)	(569)	–	226
Tax losses carried forward	72	–	34	–	106
Fair value through other comprehensive income assets	(26)	(1)	–	(62)	(89)
Cash flow hedges	(21)	1	–	17	(3)
Own credit adjustment	(2)	–	–	3	1
Retirement benefit obligations	10	–	1	10	21
Share-based payments	(1)	–	5	–	4
Other temporary differences	(279)	9	236	–	(34)
Net deferred tax liabilities	279	(14)	(252)	(32)	(19)

10. Taxation continued

Deferred tax comprises assets and liabilities as follows:

	2021			2020		
	Total $million	**Asset $million**	**Liability $million**	Total $million	Asset $million	Liability $million
Deferred tax comprises:						
Accelerated tax depreciation	**(254)**	**9**	**(263)**	(251)	10	(261)
Impairment provisions on loans and advances	**176**	**234**	**(58)**	226	216	10
Tax losses carried forward	**114**	**113**	**1**	106	106	–
Fair value through other comprehensive income assets	**(86)**	**(5)**	**(81)**	(89)	(20)	(69)
Cash flow hedges	**(3)**	**(3)**	**–**	(3)	(3)	–
Own credit adjustment	**(3)**	**–**	**(3)**	1	–	1
Retirement benefit obligations	**14**	**9**	**5**	21	22	(1)
Share-based payments	**9**	**(1)**	**10**	4	(1)	5
Other temporary differences	**(42)**	**152**	**(194)**	(34)	156	(190)
	(75)	**508**	**(583)**	(19)	486	(505)

Group

As at 31 December 2021, the Group has net deferred tax asset of $12 million (31 December 2020: $69 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, $149 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.

- $112 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 three years.

The remaining deferred tax assets of $37 million relating to losses have arisen in other jurisdictions and are expected to be recovered in less than 10 years.

Company

As at 31 December 2021, the Company has net deferred tax liability of $(75) million (31 December 2020: $(19) million). The recoverability of the Company's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised.

Of the Company's total deferred tax liability, $114 million asset relates to tax losses carried forward. These tax losses have arisen in individual legal entities and will be offset as future taxable profits arise in those entities.

- $112 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 three years.

The remaining deferred tax assets of $2 million relating to losses have arisen in other jurisdictions and are expected to be recovered in less than 10 years.

Unrecognised deferred tax

	Group		Company	
	2021 $million	2020 $million	**2021 $million**	2020 $million
No account has been taken of the following potential deferred tax assets/(liabilities):				
Withholding tax on unremitted earnings from overseas subsidiaries and associates	**(170)**	(159)	**(82)**	(67)
Tax losses	**991**	566	**945**	508
Held over gains on incorporation of overseas branches	**(218)**	(180)	**(218)**	(180)
Other temporary differences	**196**	204	**196**	204

The aggregate temporary differences relating to unrecognised deferred tax of the Group arising on unremitted earnings from overseas subsidiaries and associates at the balance sheet date was $(1,433) million (31 December 2020: $(1,345) million), the gross value of the unrecognised tax losses (including capital losses) was $3,643 million (31 December 2020: $2,645 million), gross value of held over gains on incorporation of overseas branches $(660) million (31 December 2020: $(665) million), and other temporary differences $741 million (31 December 2020: $856 million).

10. Taxation continued

The aggregate temporary differences relating to unrecognised deferred tax of the Company arising on unremitted earnings from overseas subsidiaries and associates at the balance sheet date was $(649) million (31 December 2020: $(525) million), the gross value of the unrecognised tax losses (including capital losses) was $3,432 million (31 December 2020: $2,411 million), gross value of held over gains on incorporation of overseas branches $(660) million (31 December 2020: $(665) million), and other temporary differences $742 million (31 December 2020: $856 million).

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

	2021	
	Cents per share	$million
Interim dividend declared and paid during the year[1]	**2**	**300**
Interim dividend declared and paid during the year[2]	**6**	**1,211**

1 Interim dividend declared and paid on 31st March 2021

2 Interim dividend declared and paid on 1st September 2021

Dividends on ordinary equity shares are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders.

Preference shares and Additional Tier 1 securities

Dividends on these preference shares and securities classified as equity are recorded in the period in which they are declared

	2021 $million	2020 $million
Non-cumulative redeemable preference shares:		
7.014 per cent preference shares of $5 each	**52**	53
6.409 per cent preference shares of $5 each	**13**	20
	65	73
Additional Tier 1 securities: Fixed rate resetting perpetual subordinated contingent convertible securities	**227**	385
	292	458

12. Financial instruments

Classification and measurement

Accounting policy

The Group classifies its financial assets into the following measurement categories: amortised cost; fair value through other comprehensive income(FVOCI); and fair value through profit or loss. Financial liabilities are classified as either amortised cost, or held at fair value through profit or loss. Management determines the classification of its financial assets and liabilities at initial recognition of the instrument or, where applicable, at the time of reclassification.

Financial assets held at amortised cost and fair value through other comprehensive income

Debt instruments held at amortised cost or held at FVOCI have contractual terms that give rise to cash flows that are solely payments of principal and interest (SPPI) characteristics. Principal is the fair value of the financial asset at initial recognition but this may change over the life of the instrument as amounts are repaid. Interest consists of consideration for the time value of money, for the credit Risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows have SPPI characteristics, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows
- Leverage features
- Prepayment and extension terms
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements);
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates

Whether financial assets are held at amortised cost, FVTPL or at FVOCI depends on the objectives of the business models under which the assets are held. A business model refers to how the Group manages financial assets to generate cash flows.

The Group makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines, depending on the way the business is managed and information is provided to management. Factors considered include:

- How the performance of the product business line is evaluated and reported to the Group's management
- How managers of the business model are compensated, including whether management is compensated based on the fair value of assets or the contractual cash flows collected
- The risks that affect the performance of the business model and how those risks are managed
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity

12. Financial instruments continued

The Group's business model assessment is as follows:

Business model	Business objective	Characteristics	Businesses	Products
Hold to collect	Intent is to originate financial assets and hold them to maturity, collecting the contractual cash flows over the term of the instrument	• Providing financing and originating assets to earn interest income as primary income stream • Performing credit risk management activities • Costs include funding costs, transaction costs and impairment losses	• Corporate Lending • Financial Markets • Transaction Banking • Retail Lending • Treasury Markets (Loans and Borrowings)	• Loans and advances • Debt securities
Hold to collect and sell	Business objective met through both hold to collect and by selling financial assets	• Portfolios held for liquidity needs; or where a certain interest yield profile is maintained; or that are normally rebalanced to achieve matching of duration of assets and liabilities • Income streams come from interest income, fair value changes, and impairment losses	• Treasury Markets	• Derivatives • Debt securities
Fair value through profit or loss	All other business objectives, including trading and managing financial assets on a fair value basis	• Assets held for trading • Assets that are originated, purchased, and sold for profit taking or underwriting activity • Performance of the portfolio is evaluated on a fair value basis • Income streams are from fair value changes or trading gains or losses	• Financial Markets • Syndication • All other business lines	• Derivatives • Trading portfolios • Financial Markets reverse repos • Financial Markets (FM Bond and Loan Syndication)

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows ("Hold to collect") are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("Hold to collect and sell") are classified as held at FVOCI.

Both hold to collect business and a hold to collect and sell business model involve holding financial assets to collect the contractual cash flows. However, the business models are distinct by reference to the frequency and significance that asset sales play in meeting the objective under which a particular group of financial assets is managed. Hold to collect business models are characterised by asset sales that are incidental to meeting the objectives under which a group of assets is managed. Sales of assets under a hold to collect business model can be made to manage increases in the credit Risk of financial assets but sales for other reasons should be infrequent or insignificant.

Cash flows from the sale of financial assets under a hold to collect and sell business model by contrast are integral to achieving the objectives under which a particular group of financial assets are managed. This may be the case where frequent sales of financial assets are required to manage the Group's daily liquidity requirements or to meet regulatory requirements to demonstrate liquidity of financial instruments. Sales of assets under hold to collect and sell business models are therefore both more frequent and more significant in value than those under the hold to collect model.

Equity instruments designated as held at FVOCI

Non-trading equity instruments acquired for strategic purposes rather than capital gain may be irrevocably designated at initial recognition as held at FVOCI on an instrument-by-instrument basis. Dividends received are recognised in profit or loss. Gains and losses arising from changes in the fair value of these instruments, including foreign exchange gains and losses, are recognised directly in equity and are never reclassified to profit or loss even on derecognition.

Financial assets and liabilities held at fair value through profit or loss

Financial assets which are not held at amortised cost or that are not held at FVOCI are held at fair value through profit or loss. Financial assets and liabilities held at fair value through profit or loss are either mandatorily classified fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

12. Financial instruments continued

Mandatorily classified at fair value through profit or loss

Financial assets and liabilities which are mandatorily held at fair value through profit or loss are split between two subcategories as follows:

Trading, including:

- Financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short-term
- Derivatives

Non-trading mandatorily at fair value through profit or loss, including

- Instruments in a business which has a fair value business model (see the Group's business model assessment) which are not trading or derivatives
- Hybrid financial assets that contain one or more embedded derivatives
- Financial assets that would otherwise be measured at amortised cost or FVOCI but which do not have SPPI characteristics
- Equity instruments that have not been designated as held at FVOCI
- Financial liabilities that constitute contingent consideration in a business combination

Designated at fair value through profit or loss

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis ('accounting mismatch').

Financial liabilities may also be designated at fair value through profit or loss where they are managed on a fair value basis or have a embedded derivative where the Group is not able to bifurcate and separately value the embedded derivative component.

Financial liabilities held at amortised cost

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost.

Preference shares which carry a mandatory coupon that represents a market rate of interest at the issue date, or which are redeemable on a specific date or at the option of the shareholder are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

Financial guarantee contracts and loan commitments

The Group issues financial guarantee contracts and loan commitments in return for fees. Financial guarantee contracts and any loan commitments issued at below-market interest rates are initially recognised at their fair value as a financial liability, and subsequently measured at the higher of the initial value less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers and their expected credit loss provision. Loan commitments may be designated at fair value through profit or loss where that is the business model under which such contracts are held.

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.

12. Financial instruments continued

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and debt securities classified as financial assets held at fair value through other comprehensive income are initially recognised on the trade-date (the date on which the Group commits to purchase or sell the asset). Loans and advances and other financial assets held at amortised cost are recognised on the settlement date (the date on which cash is advanced to the borrowers).

All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss.

In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses unobservable inputs, the difference between the transaction price and the valuation model is not recognised immediately in the income statement but is amortised or released to the income statement as the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement

Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest method (see Interest income and expense). Foreign exchange gains and losses are recognised in the income statement.

Where a financial instrument carried at amortised cost is the hedged item in a qualifying fair value hedge relationship, its carrying value is adjusted by the fair value gain or loss attributable to the hedged risk.

Financial assets held at FVOCI

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. Foreign exchange gains and losses on the amortised cost are recognised in income. Changes in expected credit losses are recognised in profit or loss and are accumulated in equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss reserve, are transferred to the profit or loss.

Equity investments designated at FVOCI are subsequently carried at fair value with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. On derecognition, the cumulative reserve is transferred to retained earnings and is not recycled to profit or loss.

Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities mandatorily held at fair value through profit or loss and financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value, including contractual interest income or expense, recorded in the net trading income line in the profit or loss unless the instrument is part of a cash flow hedging relationship.

Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss are held at fair value, with changes in fair value recognised in the net trading income line in the profit or loss, other than that attributable to changes in credit risk. Fair value changes attributable to credit risk are recognised in other comprehensive income and recorded in a separate category of reserves unless this is expected to create or enlarge an accounting mismatch, in which case the entire change in fair value of the financial liability designated at fair value through profit or loss is recognised in profit or loss.

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.

12. Financial instruments continued
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 percent, or if less than 10 per cent, the Group will perform a qualitative assessment to determine whether the terms of the two instruments are substantially different.

If the Group purchases its own debt, it is derecognised and the difference between the carrying amount of the liability and the consideration paid is included in 'Other income' except for the cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income which are never recycled to the profit or loss.

Modified financial instruments
Financial assets and financial liabilities whose original contractual terms have been modified, including those loans subject to forbearance strategies, are considered to be modified instruments. Modifications may include changes to the tenor, cash flows and or interest rates, among other factors.

Where derecognition of financial assets is appropriate (see Derecognition), the newly recognised residual loans are assessed to determine whether the assets should be classified as purchased or originated credit-impaired assets (POCI).

Where derecognition is not appropriate, the gross carrying amount of the applicable instruments is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate (or credit adjusted effective interest rate for POCI financial assets). The difference between the recalculated values and the pre-modified gross carrying values of the instruments are recorded as a modification gain or loss in the profit or loss.

Gains and losses arising from modifications for credit reasons are recorded as part of 'Credit Impairment' (see Credit Impairment Policy). Modification gains and losses arising for non-credit reasons are recognised either as part of "Credit Impairment or within income depending on whether there has been a change in the credit risk on the financial asset subsequent to the modification. Modification gains and losses arising on financial liabilities are recognised within income. The movements in the applicable expected credit loss loan positions are disclosed in further detail in Risk Review.

Under the Phase 2 Interest Rate Benchmark Reform amendments to IFRS 9, changes to the basis for determining contractual cash flows as a direct result of interest rate benchmark reform are treated as changes to a floating interest rate to that instrument, provided that the transition from the IBOR benchmark rate to the alternative RFR takes place on an economically equivalent basis. Where the instrument is measured at amortised cost or FVOCI, this results in a change in the instrument's effective interest rate, with no change in the amortised cost value of the instrument. If the change to the instrument does not meet these criteria, the Group applies judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Group adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised effective interest rate.

Reclassifications
Financial liabilities are not reclassified subsequent to initial recognition. Reclassifications of financial assets are made when, and only when, the business model for those assets changes. Such changes are expected to be infrequent and arise as a result of significant external or internal changes such as the termination of a line of business or the purchase of a subsidiary whose business model is to realise the value of pre-existing held for trading financial assets through a hold to collect model.

Financial assets are reclassified at their fair value on the date of reclassification and previously recognised gains and losses are not restated. Moreover, reclassifications of financial assets between financial assets held at amortised cost and financial assets held at fair value through other comprehensive income do not affect effective interest rate or expected credit loss computations.

Reclassified from amortised cost
Where financial assets held at amortised cost are reclassified to financial assets held at fair value through profit and loss, the difference between the fair value of the assets at the date of reclassification and the previously recognised amortised cost is recognised in profit or loss.

For financial assets held at amortised cost that are reclassified to fair value through other comprehensive income, the difference between the fair value of the assets at the date of reclassification and the previously recognised gross carrying value is recognised in other comprehensive income. Additionally, the related cumulative expected credit loss amounts relating to the reclassified financial assets are reclassified from loan loss provisions to a separate reserve in other comprehensive income at the date of reclassification.

Reclassified from fair value through other comprehensive income
Where financial assets held at fair value through other comprehensive income are reclassified to financial assets held at fair value through profit or loss, the cumulative gain or loss previously recognised in other comprehensive income is transferred to the profit or loss.

12. Financial instruments continued

For financial assets held at fair value through other comprehensive income that are reclassified to financial assets held at amortised cost, the cumulative gain or loss previously recognised in other comprehensive income is adjusted against the fair value of the financial asset such that the financial asset is recorded at a value as if it had always been held at amortised cost. In addition, the related cumulative expected credit losses held within other comprehensive income are reversed against the gross carrying value of the reclassified assets at the date of reclassification.

Reclassified from fair value through profit or loss

Where financial assets held at fair value through profit and loss are reclassified to financial assets held at fair value through other comprehensive income or financial assets held at amortised cost, the fair value at the date of reclassification is used to determine the effective interest rate on the financial asset going forward. In addition, the date of reclassification is used as the date of initial recognition for the calculation of expected credit losses. Where financial assets held at fair value through profit or loss are reclassified to financial assets held at amortised cost, the fair value at the date of reclassification becomes the gross carrying value of the financial asset.

The Group's classification of its financial assets and liabilities is summarised in the following tables.

Group

		Assets at fair value							
Assets	Notes	Trading $million	Derivatives held for hedging $million	Non-trading mandatorily at fair value through profit or loss $million	Designated at fair value through profit or loss $million	Fair value through other comprehensive income $million	Total financial assets at fair value $million	Assets held at amortised cost $million	Total $million
Cash and balances at central banks		–	–	–	–	–	–	61,963	61,963
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		1,315	–	2,307	–	–	3,622	–	3,622
Loans and advances to customers[1]		2,812	–	1,120	–	–	3,932	–	3,932
Reverse repurchase agreements and other similar secured lending	15	–	–	78,986	–	–	78,986	–	78,986
Debt securities, alternative tier one and other eligible bills		14,301	–	1,103	–	–	15,404	–	15,404
Equity shares		4,465	–	120	–	–	4,585	–	4,585
		22,893	–	83,636	–	–	106,529	–	106,529
Derivative financial instruments	13	52,609	636	–	–	–	53,245	–	53,245
Loans and advances to banks[1]	14	–	–	–	–	–	–	29,999	29,999
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	956	956
Loans and advances to customers[1]	14	–	–	–	–	–	–	144,799	144,799
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	3,764	3,764
Investment securities									
Debt securities, alternative tier one and other eligible bills		–	–	–	–	72,491	72,491	29,214	101,705
Equity shares		–	–	–	–	575	575	–	575
		–	–	–	–	73,066	73,066	29,214	102,280
Other assets	19	–	–	–	–	–	–	22,281	22,281
Assets held for sale	20	–	–	–	43	–	43	52	95
Total at 31 December 2021		75,502	636	83,636	43	73,066	232,883	288,308	521,191

1 Further analysed in Risk review and Capital review (pages [ ] to [ ])

12. Financial instruments continued

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		–	–	–	–	–	–	58,117	58,117
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		1,133	–	1,638	–	–	2,771	–	2,771
Loans and advances to customers[1]		1,883	–	1,251	79	–	3,213	–	3,213
Reverse repurchase agreements and other similar secured lending	15	–	–	62,807	–	–	62,807	–	62,807
Debt securities, alternative tier one and other eligible bills		11,998	–	1,128	–	–	13,126	–	13,126
Equity shares		2,892	–	145	–	–	3,037	–	3,037
		17,906	–	66,969	79	–	84,954	–	84,954
Derivative financial instruments	13	68,457	768	–	–	–	69,225	–	69,225
Loans and advances to banks[1]	14	–	–	–	–	–	–	27,666	27,666
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	809	809
Loans and advances to customers[1]	14	–	–	–	–	–	–	140,861	140,861
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	2,919	2,919
Investment securities									
Debt securities, alternative tier one and other eligible bills		–	–	–	–	71,322	71,322	14,437	85,759
Equity shares		–	–	–	–	328	328	–	328
		–	–	–	–	71,650	71,650	14,437	86,087
Other assets	19	–	–	–	–	–	–	25,873	25,873
Assets held for sale	20	–	–	–	5	–	5	83	88
Total at 31 December 2020		86,363	768	66,969	84	71,650	225,834	267,037	492,871

1 Further analysed in Risk review and Capital review (pages 55 to 154)

12. Financial instruments continued

Company

Assets	Notes	Assets at fair value: Trading $million	Assets at fair value: Derivatives held for hedging $million	Assets at fair value: Non-trading mandatorily at fair value through profit or loss $million	Assets at fair value: Designated at fair value through profit or loss $million	Assets at fair value: Fair value through other comprehensive income $million	Assets at fair value: Total financial assets at fair value $million	Assets held at amortised cost $million	Total $million
Cash and balances at central banks		–	–	–	–	–	–	48,165	48,165
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		1,293	–	2,277	–	–	3,570	–	3,570
Loans and advances to customers[1]		2,759	–	448	–	–	3,207	–	3,207
Reverse repurchase agreements and other similar secured lending	15	–	–	77,655	–	–	77,655	–	77,655
Debt securities, alternative tier one and other eligible bills		9,367	–	1,485	–	–	10,852	–	10,852
Equity shares		4,419	–	2	–	–	4,421	–	4,421
		17,838	–	81,867	–	–	99,705	–	99,705
Derivative financial instruments	13	52,847	631	–	–	–	53,478	–	53,478
Loans and advances to banks[1]	14	–	–	–	–	–	–	16,117	16,117
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	438	438
Loans and advances to customers[1]	14	–	–	–	–	–	–	71,161	71,161
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	3,047	3,047
Investment securities									
Debt securities, alternative tier one and other eligible bills		–	–	–	–	60,033	60,033	25,995	86,028
Equity shares		–	–	–	–	361	361	–	361
		–	–	–	–	60,394	60,394	25,995	86,389
Other assets	19	–	–	–	–	–	–	19,860	19,860
Assets held for sale	20	–	–	–	42	–	42	49	91
Total at 31 December 2021		70,685	631	81,867	42	60,394	213,619	181,347	394,966

1 Further analysed in Risk review and Capital review (pages 55 to 154)

12. Financial instruments continued

Assets	Notes	Assets at fair value: Trading $million	Assets at fair value: Derivatives held for hedging $million	Assets at fair value: Non-trading mandatorily at fair value through profit or loss $million	Assets at fair value: Designated at fair value through profit or loss $million	Assets at fair value: Fair value through other comprehensive income $million	Assets at fair value: Total financial assets at fair value $million	Assets held at amortised cost $million	Total $million
Cash and balances at central banks		–	–	–	–	–	–	46,476	46,476
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		1,133	–	1,638	–	–	2,771	–	2,771
Loans and advances to customers[1]		1,472	–	1,030	79	–	2,581	–	2,581
Reverse repurchase agreements and other similar secured lending	15	–	–	62,262	–	–	62,262	–	62,262
Debt securities, alternative tier one and other eligible bills		8,374	–	1,727	–	–	10,101	–	10,101
Equity shares		2,891	–	20	–	–	2,911	–	2,911
		13,870	–	66,677	79	–	80,626	–	80,626
Derivative financial instruments	13	68,154	756	–	–	–	68,910	–	68,910
Loans and advances to banks[1]	14	–	–	–	–	–	–	14,997	14,997
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	55	55
Loans and advances to customers[1]	14	–	–	–	–	–	–	72,969	72,969
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	2,283	2,283
Investment securities									
Debt securities, alternative tier one and other eligible bills		–	–	–	–	57,996	57,996	12,876	70,872
Equity shares		–	–	–	–	230	230	–	230
		–	–	–	–	58,226	58,226	12,876	71,102
Other assets	19	–	–	–	–	–	–	23,495	23,495
Assets held for sale	20	–	–	–	5	–	5	83	88
Total at 31 December 2020		82,024	756	66,677	84	58,226	207,767	170,896	378,663

1 Further analysed in Risk review and Capital review (pages 55 to 154)

12. Financial instruments continued

Group

Liabilities	Notes	Liabilities at fair value: Trading $million	Liabilities at fair value: Derivatives held for hedging $million	Liabilities at fair value: Designated at fair value through profit or loss $million	Liabilities at fair value: Total financial liabilities at fair value $million	Amortised cost $million	Total $million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	59	59	–	59
Customer accounts		198	–	6,770	6,968	–	6,968
Repurchase agreements and other similar secured borrowing	15	–	–	61,307	61,307	–	61,307
Debt securities in issue	21	–	–	4,360	4,360	–	4,360
Short positions		2,852	–	–	2,852	–	2,852
Other liabilities		6	–	–	6	–	6
		3,056	–	72,496	75,552	–	75,552
Derivative financial instruments	13	53,344	242	–	53,586	–	53,586
Deposits by banks		–	–	–	–	25,205	25,205
Customer accounts		–	–	–	–	242,331	242,331
Repurchase agreements and other similar secured borrowing	15	–	–	–	–	325	325
Debt securities in issue	21	–	–	–	–	36,060	36,060
Other liabilities	22	–	–	–	–	25,650	25,650
Subordinated liabilities and other borrowed funds	26	–	–	–	–	14,615	14,615
Total at 31 December 2021		56,400	242	72,496	129,138	344,186	473,324

Liabilities	Notes	Liabilities at fair value: Trading $million	Liabilities at fair value: Derivatives held for hedging $million	Liabilities at fair value: Designated at fair value through profit or loss $million	Liabilities at fair value: Total financial liabilities at fair value $million	Amortised cost $million	Total $million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	70	70	–	70
Customer accounts		–	–	6,753	6,753	–	6,753
Repurchase agreements and other similar secured borrowing	15	–	–	47,359	47,359	–	47,359
Debt securities in issue	21	–	–	4,360	4,360	–	4,360
Short positions		1,172	–	–	1,172	–	1,172
Other liabilities		–	–	–	–	–	–
		1,172	–	58,542	59,714	–	59,714
Derivative financial instruments	13	68,584	484	–	69,068	–	69,068
Deposits by banks		–	–	–	–	23,761	23,761
Customer accounts		–	–	–	–	216,719	216,719
Repurchase agreements and other similar secured borrowing	15	–	–	–	–	20	20
Debt securities in issue	21	–	–	–	–	29,356	29,356
Other liabilities[1]	22	–	–	–	–	29,500	29,500
Subordinated liabilities and other borrowed funds	26	–	–	–	–	14,879	14,879
Total at 31 December 2020		69,756	484	58,542	128,782	314,235	443,017

1 Includes correction of fair value hedge accounting adjustment of $81 million

12. Financial instruments continued

Company

Liabilities	Notes	Liabilities at fair value: Trading $million	Liabilities at fair value: Derivatives held for hedging $million	Liabilities at fair value: Designated at fair value through profit or loss $million	Liabilities at fair value: Total financial liabilities at fair value $million	Amortised cost $million	Total $million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	59	59	–	59
Customer accounts		–	–	6,598	6,598	–	6,598
Repurchase agreements and other similar secured borrowing	15	–	–	60,897	60,897	–	60,897
Debt securities in issue	21	–	–	4,086	4,086	–	4,086
Short positions		2,256	–	–	2,256	–	2,256
Other liabilities		6	–	–	6	–	6
		2,262	–	71,640	73,902	–	73,902
Derivative financial instruments	13	53,621	214	–	53,835	–	53,835
Deposits by banks		–	–	–	–	18,870	18,870
Customer accounts		–	–	–	–	135,478	135,478
Repurchase agreements and other similar secured borrowing	15	–	–	–	–	283	283
Debt securities in issue	21	–	–	–	–	33,826	33,826
Other liabilities	22	–	–	–	–	20,125	20,125
Subordinated liabilities and other borrowed funds	26	–	–	–	–	14,076	14,076
Total at 31 December 2021		55,883	214	71,640	127,737	222,658	350,395

Liabilities	Notes	Liabilities at fair value: Trading $million	Liabilities at fair value: Derivatives held for hedging $million	Liabilities at fair value: Designated at fair value through profit or loss $million	Liabilities at fair value: Total financial liabilities at fair value $million	Amortised cost $million	Total $million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	70	70	–	70
Customer accounts		–	–	6,639	6,639	–	6,639
Repurchase agreements and other similar secured borrowing	15	–	–	47,247	47,247	–	47,247
Debt securities in issue	21	–	–	4,203	4,203	–	4,203
Short positions		942	–	–	942	–	942
Other liabilities		–	–	–	–	–	–
		942	–	58,159	59,101	–	59,101
Derivative financial instruments	13	68,000	423	–	68,423	–	68,423
Deposits by banks		–	–	–	–	18,482	18,482
Customer accounts		–	–	–	–	122,061	122,061
Repurchase agreements and other similar secured borrowing	15	–	–	–	–	–	–
Debt securities in issue	21	–	–	–	–	27,661	27,661
Other liabilities[1]	22	–	–	–	–	23,224	23,224
Subordinated liabilities and other borrowed funds	26	–	–	–	–	14,339	14,339
Total at 31 December 2020		68,942	423	58,159	127,524	205,767	333,291

1 Includes correction of fair value hedge accounting adjustment of $81 million

12. Financial instruments continued

Interest rate benchmark reform

In 2017, the FCA announced that it had reached an agreement with LIBOR panel banks to contribute to LIBOR until the end of 2021, after which there would be a transition from LIBORs to risk-free rates (RFRs). Since then, there have been further updates, particularly with respect to the cessation date for certain USD LIBOR tenors being deferred from 31 December 2021 to 30 June 2023.

How the Group is managing the transition to alternative benchmark rates

In 2018, the Group established its IBOR Transition Programme, with Senior Manager oversight from the Group Chief Operating Officer, to manage the transition away from LIBOR. The Programme's strategic bank-wide approach aims to support clients throughout the transition, whilst ensuring key risks and issues are identified and effectively managed. The Programme is governed by a principal Programme Steering Committee that oversees sixteen workstreams aligned to the Group's businesses and functions. Within the Programme, separate committee meetings are held for each workstream, with all workstreams having dedicated accountable executives.

Additional governance is supported by regular updates provided to senior risk committees, including the Group Risk Committee, Board Risk Committee and the Corporate, Commercial and Institutional Banking Risk Committee.

From an industry and regulatory perspective, the Group actively participates in and contributes to RFR working groups, industry associations and business forums that focus on different aspects of the transition. The Group monitors the developments at these forums and reflects, then aligns significant decisions into its broader transition plans.

Progress during 2021

Supported by a number of system enhancements, the Group has successfully enabled the transition to RFR products, with end-to-end capabilities developed across a full suite of derivative and cash products. The Group maintained full adherence to all the interim GBP LIBOR cessation milestones set by the Bank of England's Working Group on Sterling Risk-Free Reference Rates. Activity in products referencing RFRs continued to grow throughout the year.

The Group has adhered to the International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol for all its trading entities and engaged clients that had not adhered to negotiate remediation of non-USD LIBOR contracts by 31 December 2021. The conversion events at the London Clearing House were successfully completed for cleared derivatives. As at the end of 2021, remediation of all cleared and uncleared derivative contracts referencing ceasing LIBORs was complete.

Clients with legacy non-USD LIBOR loans were engaged to remediate their contracts via active conversions to alternative rates, fallbacks, or other suitable transition mechanisms. As at end of 2021, all negotiations for drawn non-USD LIBOR exposures were concluded, and all but four loans having their documentation completed (it is expected the documentation will be finalised prior to the respective next fixing dates).

The Group is well-positioned to support the transition to Secured Overnight Financing Rate (SOFR) for the USD LIBOR transition. The Group is operationally ready and is actively offering SOFR products, in line with the regulatory prohibitions on new USD LIBOR financial instruments. Preparations are also underway to ensure that the Group is ready to remediate legacy USD LIBOR transactions. Over the course of 2021, the Group made considerable progress in automating IBOR-related data, and increasing process automation remains a priority for 2022.

Frontline and client engagement, including internal and client communications, frontline training, and client webinars were a key feature of the Programme throughout 2021. This allowed for a smooth client experience during the transition of non-USD LIBOR to RFRs, and this approach will continue in 2022 for USD LIBOR. Following an initial USD LIBOR-focused client outreach and internal communications in early December 2021, the Group has already started engaging clients to ascertain their level of readiness, and to secure an indicative timeline for remediation activities.

12. Financial instruments continued

Risks which the Group is exposed to due to IBOR transition

The Group has largely mitigated all material adverse outcomes associated with the cessation of LIBOR benchmarks, and these have not required a change to the Group's risk management strategy. However, the Group will continue to focus on the remediation required for other benchmarks, and will continue to monitor and manage the inherent risks of the transition, with particular attention being paid to the following:

- Legal risk: LIBOR transition introduces significant legal risks and the Group has taken action to mitigate them where possible. These include risks around contracts that reference USD LIBOR and other LIBORs such as GBP and JPY. Steps have been taken to either insert robust fallbacks or actively convert transactions from the relevant LIBOR to the new RFR-based options.
- Conduct risk: The Group considers conduct risk to be a significant area of non-financial risk management throughout the transition. Our risk appetite statement on conduct risk strives to maintain appropriate outcomes by continuously demonstrating that we are 'Doing the Right Thing' in the way we do business. Accordingly, we recognise that the identification and mitigation of conduct risks arising in respect of the transition are fundamental to the successful transition to new RFR based rates by 30 June 2023. The Group has therefore taken actions in this regard as an integral part of its IBOR Transition Programme, including an extensive outreach programme.
- Operational risk: The Group has recognised the importance of the ongoing identification and management of operational risk as a result of LIBOR transition. The Programme has adopted the Group's existing Operational Risk Framework in its approach to identifying, quantifying, and mitigating the impact of operational risks resulting from the transition.
- Market risk: As trades are transitioned from IBOR to RFR, the business-as-usual metrics, limit structure and controls will continue to apply. Limits for value at risk and market risk sensitivities are in accordance with the Group Risk Appetite Statement. New limits will be set following engagement with the business, to consider client demand and market liquidity in RFR-linked products, as well as the regulatory expectations and interim milestones agreed by the industry.
- Financial and credit risk: As part of the 'Data collection on exposures' exercise undertaken for the PRA and FCA, the Group set out its view of the impact of LIBOR transition on its financial risk profile, including its credit risk and funding profile. At present, the Group has yet to see any material change to any of these categories. However, all of these risks will continue to be monitored as part of the Programme across business and functional workstreams.
- Accounting risk: The Group has identified the financial instruments that may be affected by accounting issues such as accounting for contractual changes due to IBOR reform, fair value measurement and hedge accounting. We continue to monitor and contribute to industry developments on tax and accounting changes.

At 31 December 2021, the Group and Company had the following notional principal exposures to interest rate benchmarks that are expected to be subject to interest rate benchmark reform. The Group and Company have excluded financial instruments linked to USD LIBOR maturing before 30 June 2023 as it is assumed these will not require reform due to USD LIBOR no longer being published beyond this date. The Group has excluded $3.5 billion of exposures and Company has excluded $3.1 billion of exposures that transitioned under fallback clauses immediately after 31 December 2021.

12. Financial instruments continued

Group

IBOR exposures by benchmark as of 31 December 2021	USD LIBOR $million	GBP LIBOR $million	SGD SOR $million	THB FIX $million	Other IBOR $million	Total IBOR $million
Assets						
Loans and advances to banks	787	–	–	–	–	787
Loans and advances to customers	18,932	123[1]	1,479	15	58	20,607
Debt securities, AT1 and other eligible bills	2,007	237[1]	18	–	–	2,262
	21,726	360	1,497	15	58	23,656
Liabilities						
Deposits by banks	6,636	–	8	–	–	6,644
Customer accounts	3,057	–	1	36	–	3,094
Repurchase agreements and other secured borrowing	671	–	–	–	–	671
Debt securities in issue	295	–	–	–	–	295
Subordinated liabilities and other borrowed funds	160	–	–	–	–	160
	10,819	–	9	36	–	10,864
Derivatives – Foreign exchange contracts						
Currency swaps and options	155,567	–	6,008	1,725	–	163,300
Derivatives – Interest rate contracts						
Swaps	738,979	–	14,053	52,808	–	805,840
Forward rate agreements and options	29,221	1	74	124	–	29,420
Exchange traded futures and options	24,236	–	–	–	–	24,236
Equity and stock index options	74	–	–	–	–	74
Credit derivative contracts	4,056	–	215	277	–	4,548
Total IBOR derivative exposure	952,133	1	20,350	54,934	–	1,027,418
Total IBOR exposure	984,678	361	21,856	54,985	58	1,061,938
Loan commitments off balance sheet	3,291	271	179	–	964	4,705

1 Residual GBP LIBOR exposures are mainly due to debt security assets where the issuers have yet to confirm revised instrument terms, and loans to customers where the terms of remediation have been agreed but legal documentation is not complete. It is expected that these exposures will be remediated before their next interest rate fixing, however should this not be achieved a 'synthetic LIBOR' based on Term SONIA will apply

12. Financial instruments continued

IBOR exposures by benchmark as at 31 December 2020	USD LIBOR $million	GBP LIBOR $million	SGD SOR $million	THB FIX $million	Other IBOR $million	Total IBOR $million
Assets						
Loans and advances to banks	1,774	55	–	–	–	1,829
Loans and advances to customers	23,959	2,129	1,967	33	645	28,733
Debt securities, AT1 and other eligible bills	3,027	1,386	365	0	170	4,948
	28,760	3,570	2,332	33	815	35,510
Liabilities						
Deposits by banks	8,982	402	12	–	–	9,396
Customer accounts	3,665	19	2	42	189	3,917
Repurchase agreements and other secured borrowing	1,195	–	–	–	–	1,195
Debt securities in issue	40	–	–	–	–	40
Subordinated liabilities and other borrowed funds	160	15	–	–	–	175
	14,042	436	14	42	189	14,723
Derivatives – Foreign exchange contracts						
Currency swaps and options	204,120	34,879	7,194	1,998	21,827	270,018
Derivatives – Interest rate contracts						
Swaps	903,517	112,195	77,268	28,121	43,914	1,165,015
Forward rate agreements and options	22,108	523	76	55	2,527	25,289
Exchange traded futures and options	63,239	1,445	–	–	–	64,684
Equity and stock index options	75	2	–	–	–	77
Credit derivative contracts	2,843	–	–	134	–	2,977
Total IBOR derivative exposure	1,195,902	149,044	84,538	30,308	68,268	1,528,060
Total IBOR exposure	1,238,704	153,050	86,884	30,383	69,272	1,578,293
Loan commitments off balance sheet	6,240	729	206	1	1,423	8,599

12. Financial instruments continued
Company

IBOR exposures by benchmark as of 31 December 2021	USD LIBOR $million	GBP LIBOR $million	SGD SOR $million	THB FIX $million	Other IBOR $million	Total IBOR $million
Assets						
Loans and advances to banks	680	–	–	–	–	680
Loans and advances to customers	14,444	123[1]	–	–	58	14,625
Debt securities, AT1 and other eligible bills	1,726	237[1]	–	–	–	1,963
	16,850	360	–	–	58	17,268
Liabilities						
Deposits by banks	5,087	–	–	–	–	5,087
Customer accounts	2,809	–	–	–	–	2,809
Repurchase agreements and other secured borrowing	471	–	–	–	–	471
Debt securities in issue	275	–	–	–	–	275
Subordinated liabilities	160	–	–	–	–	160
	8,802	–	–	–	–	8,802
Derivatives – Foreign exchange contracts						
Currency swaps and options	145,302	–	2,334	–	–	147,636
Derivatives – Interest rate contracts						
Swaps	718,980	–	9,971	48,543	–	777,494
Forward rate agreements and options	28,429	1	74	–	–	28,504
Exchange traded futures and options	24,236	–	–	–	–	24,236
Equity and stock index options	74	–	–	–	–	74
Credit derivative contracts	3,867	–	–	–	–	3,867
Total IBOR derivative exposure	920,888	1	12,379	48,543	–	981,811
Total IBOR exposure	946,540	361	12,379	48,543	58	1,007,881
Loan commitments off balance sheet	2,900	263	7	–	879	4,049

1 Residual GBP LIBOR exposures are mainly due to debt security assets where the issuers have yet to confirm revised instrument terms, and loans to customers where the terms of remediation have been agreed but legal documentation is not complete. It is expected that these exposures will be remediated before their next interest rate fixing, however should this not be achieved a 'synthetic LIBOR' based on Term SONIA will apply

12. Financial instruments continued

IBOR exposures by benchmark as at 31 December 2020	USD LIBOR $million	GBP LIBOR $million	SGD SOR $million	THB FIX $million	Other IBOR $million	Total IBOR $million
Assets						
Loans and advances to banks	1,308	55	–	–	–	1,363
Loans and advances to customers	18,428	1,271	–	–	586	20,285
Debt securities, AT1 and other eligible bills	2,777	1,373	–	–	170	4,320
	22,513	2,699	–	–	756	25,968
Liabilities						
Deposits by banks	7,890	402	–	–	–	8,292
Customer accounts	3,520	19	–	–	189	3,728
Repurchase agreements and other secured borrowing	1,095	–	–	–	–	1,095
Debt securities in issue	16	–	–	–	–	16
Subordinated liabilities and other borrowed funds	160	15	–	–	–	175
	12,681	436	–	–	189	13,306
Derivatives – Foreign exchange contracts						
Currency swaps and options	189,525	34,375	2,602	–	21,633	248,135
Derivatives – Interest rate contracts						
Swaps	880,284	106,401	72,456	23,142	43,861	1,126,144
Forward rate agreements and options	21,658	523	76	30	2,527	24,814
Exchange traded futures and options	63,239	1,445	–	–	–	64,684
Equity and stock index options	75	2	–	–	–	77
Credit derivative contracts	2,832	–	–	–	–	2,832
Total IBOR derivative exposure	1,157,613	142,746	75,134	23,172	68,021	1,466,686
Total IBOR exposure	1,192,807	145,881	75,134	23,172	68,966	1,505,960
Loan commitments off balance sheet	5,816	637	10	–	1,407	7,870

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In practice, for credit mitigation, the Group is able to offset assets and liabilities which do not meet the IAS 32 netting criteria set out below. Such arrangements include master netting arrangements for derivatives and global master repurchase agreements for repurchase and reverse repurchase transactions. These agreements generally allow that all outstanding transactions with a particular counterparty can be offset but only in the event of default or other predetermined events.

In addition, the Group also receives and pledges readily realisable collateral for derivative transactions to cover net exposure in the event of a default. Under repurchase and reverse repurchase agreements the Group pledges (legally sells) and obtains (legally purchases) respectively, highly liquid assets which can be sold in the event of a default.

The following tables set out the impact of netting on the balance sheet. This comprises derivative transactions settled through an enforceable netting agreement where we have the intent and ability to settle net and which are offset on the balance sheet.

12. Financial instruments continued
Group

	2021					
				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	79,128	(25,883)	53,245	(42,577)	(7,757)	2,911
Reverse repurchase agreements and other similar secured lending	91,132	(7,426)	83,706	–	(83,706)	–
At 31 December 2021	170,260	(33,309)	136,951	(42,577)	(91,463)	2,911
Liabilities						
Derivative financial instruments	79,469	(25,883)	53,586	(42,577)	(8,244)	2,765
Repurchase agreements and other similar secured borrowing	69,058	(7,426)	61,632	–	(61,632)	–
At 31 December 2021	148,527	(33,309)	115,218	(42,577)	(69,876)	2,765

	2020					
				Related amount not offset in the balance sheet		
	Gross amounts of recognised financial instruments $million	Impact of offset in the balance sheet $million	Net amounts of financial instruments presented in the balance sheet $million	Financial instruments $million	Financial collateral $million	Net amount $million
Assets						
Derivative financial instruments	111,737	(42,512)	69,225	(52,308)	(9,184)	7,733
Reverse repurchase agreements and other similar secured lending	74,454	(7,919)	66,535	–	(66,535)	–
At 31 December 2020	186,191	(50,431)	135,760	(52,308)	(75,719)	7,733
Liabilities						
Derivative financial instruments	111,580	(42,512)	69,068	(52,308)	(10,940)	5,820
Repurchase agreements and other similar secured borrowing	55,298	(7,919)	47,379	–	(47,379)	–
At 31 December 2020	166,878	(50,431)	116,447	(52,308)	(58,319)	5,820

12. Financial instruments continued

Company

	2021					
	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	Related amount not offset in the balance sheet: Financial instruments $million	Related amount not offset in the balance sheet: Financial collateral $million	Net amount $million
Assets						
Derivative financial instruments	79,361	(25,883)	53,478	(43,788)	(7,033)	2,657
Reverse repurchase agreements and other similar secured lending	88,566	(7,426)	81,140	–	(81,140)	–
At 31 December 2021	167,927	(33,309)	134,618	(43,788)	(88,173)	2,657
Liabilities						
Derivative financial instruments	79,718	(25,883)	53,835	(43,788)	(7,780)	2,267
Repurchase agreements and other similar secured borrowing	68,606	(7,426)	61,180	–	(61,180)	–
At 31 December 2021	148,324	(33,309)	115,015	(43,788)	(68,960)	2,267

	2020					
	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	Related amount not offset in the balance sheet: Financial instruments $million	Related amount not offset in the balance sheet: Financial collateral $million	Net amount $million
Assets						
Derivative financial instruments	111,422	(42,512)	68,910	(53,091)	(8,581)	7,238
Reverse repurchase agreements and other similar secured lending	72,519	(7,919)	64,600	–	(64,600)	–
At 31 December 2020	183,941	(50,431)	133,510	(53,091)	(73,181)	7,238
Liabilities						
Derivative financial instruments	110,935	(42,512)	68,423	(53,091)	(10,385)	4,947
Repurchase agreements and other similar secured borrowing	55,166	(7,919)	47,247	–	(47,247)	–
At 31 December 2020	166,101	(50,431)	115,670	(53,091)	(57,632)	4,947

Related amounts not offset in the balance sheet comprises:

- Financial instruments not offset in the balance sheet but covered by an enforceable netting arrangement. This comprises master netting arrangements held against derivative financial instruments and excludes the effect of over-collateralisation
- Financial instruments where a legal opinion evidencing enforceability the right of offset may not have sought, or may have been unable to obtain
- Financial collateral comprises cash collateral pledged and received for derivative financial instruments and collateral bought and sold for reverse repurchase and repurchase agreements respectively and excludes the effect of over-collateralisation

12. Financial instruments continued

Financial liabilities designated at fair value through profit or loss

	2021 $million	2020 $million
Carrying balance aggregate fair value	**72,496**	58,542
Amount contractually obliged to repay at maturity	**72,710**	58,355
Difference between aggregate fair value and contractually obliged to repay at maturity	**(214)**	187
Cumulative change in fair value accredited to credit risk difference	**14**	(16)

The net fair value loss on financial liabilities designated at fair value through profit or loss was $53 million for the year (31 December 2020: net loss of $171 million). Further details of the Group's own credit adjustment (OCA) valuation technique is described later in this note.

Valuation of financial instruments

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments held by the Group. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non market observable inputs. Valuation techniques used include discounted cash flow analysis and pricing models and, where appropriate, comparison with instruments that have characteristics similar to those of the instruments held by the Group.

The Valuation Methodology function is responsible for independent price verification, oversight of fair value and appropriate value adjustments and escalation of valuation issues. Independent price verification is the process of determining that the valuations incorporated into the financial statements are validated independent of the business area responsible for the product. The Valuation Methodology 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 Methodology perform an ongoing review of the market data sources that are used as part of the price verification and fair value processes which are formally documented on a semi-annual basis detailing 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 Methodology and the business, which meets monthly to discuss and approve the independent valuations of the inventory. For Principal Finance, the Investment Committee meeting is held on a quarterly basis to review investments and valuations.

Significant accounting estimates and judgements

The Group evaluates the significance of financial instruments and material accuracy of the valuations incorporated in the financial statements as they involve a high degree of judgement and estimation uncertainty in determining the carrying values of financial assets and liabilities at the balance sheet date.

- Fair value of financial instruments is determined using valuation techniques and estimates (see below) which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Changes in the observability of significant valuation inputs can materially affect the fair values of financial instruments
- When establishing the exit price of a financial instrument using a valuation technique, the Group estimates valuation adjustments in determining the fair value (page 218)
- 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 221)
- Where the estimated measurement of fair value is more judgemental in respect of Level 3 assets, these are valued based on models that use a significant degree of non-market-based unobservable inputs

12. Financial instruments continued

Valuation techniques

Refer to the fair value hierarchy explanation – Level 1, 2 and 3 (page 221)

- Financial instruments held at fair value
  - **Debt securities – asset-backed securities:** Asset-backed securities are valued based on external prices obtained from consensus pricing providers, broker quotes, recent trades, arrangers' quotes, etc. Where an observable price is available for a given security, it is classified as Level 2. In instances where third-party prices are not available or reliable, the security is classified as Level 3. The fair value of Level 3 securities is estimated using market standard cash flow models with input parameter assumptions which include prepayment speeds, default rates, discount margins derived from comparable securities with similar vintage, collateral type, and credit ratings
  - **Debt securities in issue:** These debt securities relate to structured notes issued by the Group. Where independent market data is available through pricing vendors and broker sources these positions are classified as Level 2. Where such liquid external prices are not available, valuations of these debt securities are implied using input parameters such as bond spreads and credit spreads, and are classified as Level 3. These input parameters are determined with reference to the same issuer (if available) or proxies from comparable issuers or assets
  - **Derivatives:** Derivative products are classified as Level 2 if the valuation of the product is based upon input parameters which are observable from independent and reliable market data sources. Derivative products are classified as Level 3 if there are significant valuation input parameters which are unobservable in the market, such as products where the performance is linked to more than one underlying variable. Examples are foreign exchange basket options, equity options based on the performance of two or more underlying indices and interest rate products with quanto payouts. In most cases these unobservable correlation parameters cannot be implied from the market, and methods such as historical analysis and comparison with historical levels or other benchmark data must be employed
  - **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 FM Bond and Loan Syndication business which were not syndicated as of the balance sheet date and other financing transactions within Financial Markets and loans and advances including reverse repurchase agreements that do not have SPPI cash flows or are managed on a fair value basis. These loans are generally bilateral in nature and, where available, their valuation is based on observable clean sales transactions prices or market observable spreads. If observable credit spreads are not available, proxy spreads based on comparable loans with similar credit grade, sector and region, are used. Where observable credit spreads and market standard proxy methods are available, these loans are classified as Level 2. Where there are no recent transactions or comparable loans, these loans are classified as Level 3
  - **Other debt securities:** These debt securities include convertible bonds, corporate bonds, credit and structured notes. Where quoted prices are available through pricing vendors, brokers or observable trading activities from liquid markets, these are classified as Level 2 and valued using such quotes. Where there are significant valuation inputs which are unobservable in the market, due to illiquid trading or the complexity of the product, these are classified as Level 3. The valuations of these debt securities are implied using input parameters such as bond spreads and credit spreads. These input parameters are determined with reference to the same issuer (if available) or proxied from comparable issuers or assets

12. Financial instruments continued

- 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

12. Financial instruments continued

Fair value adjustments

When establishing the exit price of a financial instrument using a valuation technique, the Group considers adjustments to the modelled price which market participants would make when pricing that instrument. The main valuation adjustments (described further below) in determining fair value for financial assets and financial liabilities are as follows:

	01.01.21 $million	Movement during the year $million	31.12.21 $million	01.01.20 $million	Movement during the year $million	31.12.20 $million
Bid-offer valuation adjustment	93	(6)	87	65	28	93
Credit Valuation adjustment	169	(163)	6	119	50	169
Debit Valuation adjustment	(45)	45	–	(36)	(9)	(45)
Model valuation adjustment	5	(2)	3	6	(1)	5
Funding Valuation adjustment	15	(15)	–	22	(7)	15
Other fair value adjustments	27	(14)	13	43	(16)	27
Total	**264**	**(155)**	**109**	**219**	**45**	**264**
Income deferrals						
Day 1 and other deferrals	97	(13)	84	81	16	97
Total	**97**	**(13)**	**84**	**81**	**16**	**97**

Note: Bracket represents an asset and credit to the income statement

- **Bid-offer valuation adjustment:** Generally, market parameters are marked on a mid-market basis in the revaluation systems, and a bid-offer valuation adjustment is required to quantify the expected cost of neutralising the business' positions through dealing away in the market, thereby bringing long positions to bid and short positions to offer. The methodology to calculate the bid-offer adjustment for a derivative portfolio involves netting between long and short positions and the grouping of risk by strike and tenor based on the hedging strategy where long positions are marked to bid and short positions marked to offer in the systems
- **Credit valuation adjustment (CVA):** The Group accounts for CVA against the fair value of derivative products. CVA is an adjustment to the fair value of the transactions to reflect the possibility that our counterparties may default and we may not receive the full market value of the outstanding transactions. It represents an estimate of the adjustment a market participant would include when deriving a purchase price to acquire our exposures. CVA is calculated for each subsidiary, and within each entity for each counterparty to which the entity has exposure and takes account of any collateral we may hold. The Group calculates the CVA by using estimates of future positive exposure, market-implied probability of default (PD) and recovery rates. Where market-implied data is not readily available, we use market-based proxies to estimate the PD. Wrong-way risk occurs when the exposure to a counterparty is adversely correlated with the credit quality of that counterparty, and the Group has implemented a model to capture this impact for key wrong-way exposures. The Group also captures the uncertainties associated with wrong-way risk in the Group's Prudential Valuation Adjustments framework
- **Debit valuation adjustment (DVA):** The Group calculates DVA adjustments on its derivative liabilities to reflect changes in its own credit standing. The Group's DVA adjustments will increase if its credit standing worsens and conversely, decrease if its credit standing improves. For derivative liabilities, a DVA adjustment is determined by applying the Group's probability of default to the Group's negative expected exposure against the counterparty. The Group's probability of default and loss expected in the event of default is derived based on bond and CDS spreads associated with the Group's issuances and market standard recovery levels. The expected exposure is modelled based on the simulation of the underlying risk factors over the expected life of the deal. This simulation methodology incorporates the collateral posted by the Group and the effects of master netting agreements
- **Model valuation adjustment:** Valuation models may have pricing deficiencies or limitations that require a valuation adjustment. These pricing deficiencies or limitations arise due to the choice, implementation and calibration of the pricing model

12. Financial instruments continued

- **Funding valuation adjustment (FVA):** The Group makes FVA adjustments against derivative products. FVA reflects an estimate of the adjustment to its fair value that a market participant would make to incorporate funding costs or benefits that could arise in relation to the exposure. FVA is calculated by determining the net expected exposure at a counterparty level and then applying a funding rate to those exposures that reflect the market cost of funding. The FVA for uncollateralised (including partially collateralised) derivatives incorporates the estimated present value of the market funding cost or benefit associated with funding these transactions
- **Other fair value adjustments:** The Group calculates the fair value on the interest rate callable products by calibrating to a set of market prices with differing maturity, expiry and strike of the trades
- **Day one and other deferrals:** In certain circumstances the initial fair value is based on a valuation technique which differs to the transaction price at the time of initial recognition. However, these gains can only be recognised when the valuation technique used is based primarily on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement. The difference is amortised to the income statement until the inputs become observable, or the transaction matures or is terminated. Other deferrals primarily represent adjustments taken to reflect the specific terms and conditions of certain derivative contracts which affect the termination value at the measurement date

In addition, the Group calculates own credit adjustment (OCA) on its issued debt designated at fair value, including structured notes, in order to reflect changes in its own credit standing. Own issued note liabilities are discounted utilising spreads as at the measurement date. These spreads consist of a market level of funding component and an idiosyncratic own credit component. Under IFRS 9 the change in the own credit component (OCA) is reported under other comprehensive income. The Group's OCA reserve will increase if its credit standing worsens and conversely, decrease if its credit standing improves. The Group's OCA reserve will reverse over time as its liabilities mature. The OCA at 31 December 2021 is a gain of $14 million, (31 December 2020: $14 million loss).

Fair value hierarchy – financial instruments held at fair value

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Group recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

- **Level 1:** Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities
- **Level 2:** Fair value measurements are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable
- **Level 3:** Fair value measurements are those where inputs which could have a significant effect on the instrument's valuation are not based on observable market data

12. Financial instruments continued

The following tables show the classification of financial instruments held at fair value into the valuation hierarchy:

Group

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	–	3,613	9	3,622
Loans and advances to customers	–	3,522	410	3,932
Reverse repurchase agreements and other similar secured lending	–	77,431	1,555	78,986
Debt securities and other eligible bills	4,845	10,247	312	15,404
Of which:				
Issued by central banks & governments	4,641	5,343	–	9,984
Issued by corporates other than financial institutions[1]	1	2,343	74	2,418
Issued by financial institutions[1]	203	2,561	238	3,002
Equity shares	4,449	38	98	4,585
Derivative financial instruments	1,061	52,117	67	53,245
Of which:				
Foreign exchange	156	43,136	12	43,304
Interest rate	9	5,821	50	5,880
Credit	–	2,242	2	2,244
Equity and stock index options	–	90	3	93
Commodity	896	828	–	1,724
Investment securities				
Debt securities and other eligible bills	29,433	43,018	40	72,491
Of which:				
Issued by central banks & governments	21,431	16,588	40	38,059
Issued by corporates other than financial institutions[1]	–	1,344	–	1,344
Issued by financial institutions[1]	8,002	25,086	–	33,088
Equity shares	166	17	392	575
Total financial instruments at 31 December 2021[2]	39,954	190,003	2,883	232,840
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	37	22	59
Customer accounts	–	6,603	365	6,968
Repurchase agreements and other similar secured borrowing	–	61,307	–	61,307
Debt securities in issue	–	3,579	781	4,360
Short positions	597	2,255	–	2,852
Derivative financial instruments	940	52,550	96	53,586
Of which:				
Foreign exchange	160	43,127	5	43,292
Interest rate	7	5,927	16	5,950
Credit	–	2,363	41	2,404
Equity and stock index options	–	119	34	153
Commodity	773	1,014	–	1,787
Other liabilities	–	6	–	6
Total financial instruments at 31 December 2021[2]	1,537	126,337	1,264	129,138

1 Includes covered bonds of $5,513 million, securities issued by Multilateral Development Banks/International Organisations of $8,716 million and State-owned agencies and development banks of $7,430 million

2 The above table does not include held for sale assets of $43 million and liabilities of $nil. These are reported in Note 20 together with their fair value hierarchy

There were no significant changes to valuation or levelling approaches in 2021.

There were no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the year.

12. Financial instruments continued

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	–	2,571	200	2,771
Loans and advances to customers	–	2,749	464	3,213
Reverse repurchase agreements and other similar secured lending	–	61,743	1,064	62,807
Debt securities and other eligible bills	2,440	10,491	195	13,126
Of which:				
Issued by central banks & governments[1]	2,366	6,228	52	8,645
Issued by corporates other than financial institutions[1,2]	–	1,311	122	1,434
Issued by financial institutions[1,2]	74	2,952	21	3,047
Equity shares	2,720	193	124	3,037
Derivative financial instruments	463	68,753	9	69,225
Of which:				
Foreign exchange	107	51,820	4	51,931
Interest rate	30	14,222	2	14,254
Credit	–	1,684	2	1,686
Equity and stock index options	–	55	1	56
Commodity	326	972	–	1,298
Investment securities				
Debt securities and other eligible bills	35,713	35,569	40	71,322
Of which:				
Issued by central banks & governments[1]	27,209	16,355	40	43,604
Issued by corporates other than financial institutions[1,2]	260	670	–	930
Issued by financial institutions[1,2]	8,244	18,545	–	26,789
Equity shares	68	5	255	328
Total financial instruments at 31 December 2020[3]	41,404	182,074	2,351	225,829
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	70	–	70
Customer accounts	–	6,756	(3)	6,753
Repurchase agreements and other similar secured borrowing	–	47,359	–	47,359
Debt securities in issue	–	4,236	124	4,360
Short positions	151	1,021	–	1,172
Derivative financial instruments	401	68,550	117	69,068
Of which:				
Foreign exchange	109	53,441	4	53,554
Interest rate	5	12,487	26	12,518
Credit	–	1,932	82	2,014
Equity and stock index options	–	151	5	156
Commodity	287	539	–	826
Other liabilities	–	–	–	–
Total financial instruments at 31 December 2020[3]	552	127,992	238	128,782

1 Represented to reflect correct classification of counterparty types. There has been no change to the levelling approach or between FVTPL and Investment securities categories due to the restatement

2 Includes covered bonds of $4,594 million, securities issued by Multilateral Development Banks/International Organisations of $8,081 million (represented from $8,237 million) and State-owned agencies and development banks of $4,298 million (represented from $2,771 million)

3 The above table does not include held for sale assets of $5 million and liabilities of $nil. These are reported in Note 20 together with their fair value hierarchy

12. Financial instruments continued

Company

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	–	3,561	9	3,570
Loans and advances to customers	–	3,125	82	3,207
Reverse repurchase agreements and other similar secured lending	–	76,100	1,555	77,655
Debt securities and other eligible bills	3,683	6,966	203	10,852
Of which:				
Issued by central banks & governments	3,495	2,763	–	6,258
Issued by corporates other than financial institutions[1]	–	1,539	5	1,544
Issued by financial institutions[1]	188	2,664	198	3,050
Equity shares	4,419	2	–	4,421
Derivative financial instruments	1,047	52,362	69	53,478
Of which:				
Foreign exchange	142	41,415	14	41,571
Interest rate	9	7,707	50	7,766
Credit	–	2,244	2	2,246
Equity and stock index options	–	47	3	50
Commodity	896	949	–	1,845
Investment securities				
Debt securities and other eligible bills	25,521	34,226	286	60,033
Of which:				
Issued by central banks & governments	17,956	9,287	25	27,268
Issued by corporates other than financial institutions[1]	–	1,226	–	1,226
Issued by financial institutions[1]	7,565	23,713	261	31,539
Equity shares	151	2	208	361
Total financial instruments at 31 December 2021[2]	34,821	176,344	2,412	213,577
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	37	22	59
Customer accounts	–	6,306	292	6,598
Repurchase agreements and other similar secured borrowing	–	60,897	–	60,897
Debt securities in issue	–	3,472	614	4,086
Short positions	462	1,794	–	2,256
Derivative financial instruments	933	52,797	105	53,835
Of which:				
Foreign exchange	153	41,642	16	41,811
Interest rate	7	7,694	15	7,716
Credit	–	2,328	41	2,369
Equity and stock index options	–	38	33	71
Commodity	773	1,095	–	1,868
Other liabilities	–	6	–	6
Total financial instruments at 31 December 2021[2]	1,395	125,309	1,033	127,737

1 Includes covered bonds of $5,100 million, securities issued by Multilateral Development Banks/International Organisations of $8,245 million and State-owned agencies and development banks of $7,356 million.

2 The above table does not include held for sale assets of $42 million and liabilities of $nil. These are reported in Note 20 together with their fair value hierarchy

There were no significant changes to valuation or levelling approaches in 2021.

There were no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the year.

12. Financial instruments continued

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	–	2,571	200	2,771
Loans and advances to customers	–	2,306	275	2,581
Reverse repurchase agreements and other similar secured lending	–	61,198	1,064	62,262
Debt securities and other eligible bills	2,075	7,891	135	10,101
Of which:				
Issued by central banks & governments[1]	2,001	3,592	52	5,645
Issued by corporates other than financial institutions[1,2]	–	982	62	1,044
Issued by financial institutions[1,2]	74	3,317	21	3,412
Equity shares	2,719	192	–	2,911
Derivative financial instruments	462	68,437	11	68,910
Of which:				
Foreign exchange	106	52,272	6	52,384
Interest rate	30	13,611	2	13,643
Credit	–	1,672	2	1,674
Equity and stock index options	–	35	1	36
Commodity	326	847	–	1,173
Investment securities				
Debt securities and other eligible bills	31,569	26,399	28	57,996
Of which:				
Issued by central banks & governments[1]	23,554	9,111	28	32,693
Issued by corporates other than financial institutions[1,2]	259	478	–	738
Issued by financial institutions[1,2]	7,755	16,810	–	24,565
Equity shares	58	–	172	230
Total financial instruments at 31 December 2020[3]	36,883	168,994	1,885	207,762
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	70	–	70
Customer accounts	–	6,642	(3)	6,639
Repurchase agreements and other similar secured borrowing	–	47,247	–	47,247
Debt securities in issue	–	4,079	124	4,203
Short positions	149	793	–	942
Derivative financial instruments	400	67,933	90	68,423
Of which:				
Foreign exchange	108	53,341	15	53,464
Interest rate	5	12,197	26	12,228
Credit	–	1,817	44	1,861
Equity and stock index options	–	98	5	103
Commodity	287	480	–	767
Other liabilities	–	–	–	–
Total financial instruments at 31 December 2020[3]	549	126,764	211	127,524

1 Represented to reflect correct classification of counterparty types. There has been no change to the levelling approach or between FVTPL and Investment securities categories due to the restatement

2 Includes covered bonds of $4,168 million, securities issued by Multilateral Development Banks/International Organisations of $7,969 million(represented from $8,155 million) and State-owned agencies and development banks of $4,298 million(represented from $2,771 million)

3 The above table does not include held for sale assets of $5 million and liabilities of $nil. These are reported in Note 20 together with their fair value hierarchy

12. Financial instruments continued

Fair value hierarchy – financial instruments measured at amortised cost

The following table shows the carrying amounts and incorporates the Group's estimate of fair values of those financial assets and liabilities not presented on the Group's balance sheet at fair value. These fair values may be different from the actual amount that will be received or paid on the settlement or maturity of the financial instrument. For certain instruments, the fair value may be determined using assumptions for which no observable prices are available.

Group

		Fair value			
	Carrying value $million	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Assets					
Cash and balances at central banks[1]	61,963	–	61,963	–	61,963
Loans and advances to banks	29,999	–	29,999	–	29,999
of which – reverse repurchase agreements and other similar secured lending	956	–	956	–	956
Loans and advances to customers	144,799	–	42,050	102,756	144,806
of which – reverse repurchase agreements and other similar secured lending	3,764	–	3,764	–	3,764
Investment securities[2]	29,214	–	29,749	–	29,749
Other assets[1]	22,281	–	22,280	1	22,281
Assets held for sale	52	–	–	52	52
At 31 December 2021	288,308	–	186,041	102,809	288,850
Liabilities					
Deposits by banks	25,205	–	25,205	–	25,205
Customer accounts	242,331	–	242,297	–	242,297
Repurchase agreements and other similar secured borrowing	325	–	325	–	325
Debt securities in issue	36,060	–	36,061	–	36,061
Subordinated liabilities and other borrowed funds	14,615	–	14,579	–	14,579
Other liabilities[1]	25,650	–	25,649	1	25,650
At 31 December 2021	344,186	–	344,116	1	344,117

		Fair value			
	Carrying value $million	Level 1 $million	restated Level 2 $million	Level 3 $million	restated Total $million
Assets					
Cash and balances at central banks[1]	58,117	–	58,117	–	58,117
Loans and advances to banks	27,666	–	27,667	4	27,671
of which – reverse repurchase agreements and other similar secured lending	809	–	815	–	815
Loans and advances to customers	140,861	–	29,147	111,628	140,775
of which – reverse repurchase agreements and other similar secured lending	2,919	–	2,922	–	2,922
Investment securities[2]	14,437	–	15,308	7	15,315
Other assets[1]	25,873	–	25,873	–	25,873
Assets held for sale	83	–	25	58	83
At 31 December 2020	267,037	–	156,137	111,697	267,834
Liabilities					
Deposits by banks	23,761	–	23,794	–	23,794
Customer accounts	216,719	–	216,670	–	216,670
Repurchase agreements and other similar secured borrowing	20	–	20	–	20
Debt securities in issue	29,356	–	29,356	–	29,356
Subordinated liabilities and other borrowed funds	14,879	–	14,821	–	14,821
Other liabilities[1,3]	29,500	–	29,500	–	29,500
At 31 December 2020	314,235	–	314,161	–	314,161

1 The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are short-term in nature or reprice to current market rates frequently

2 Includes Government bonds and Treasury bills of $15,152 million at 31 December 2021 and $7,072 million at 31 December 2020

3 Includes correction of fair value hedge accounting adjustment $81 million

12. Financial instruments continued
Company

	Carrying value $million	Fair value Level 1 $million	Fair value Level 2 $million	Fair value Level 3 $million	Fair value Total $million
Assets					
Cash and balances at central banks[1]	48,165	–	48,165	–	48,165
Loans and advances to banks	16,117	–	16,117	–	16,117
of which – reverse repurchase agreements and other similar secured lending	438	–	438	–	438
Loans and advances to customers	71,161	–	19,600	51,368	70,968
of which – reverse repurchase agreements and other similar secured lending	3,047	–	3,047	–	3,047
Investment securities[2]	25,995	–	26,529	–	26,529
Other assets[1]	19,860	–	19,860	–	19,860
Assets held for sale	49	–	–	49	49
At 31 December 2021	181,347	–	130,271	51,417	181,688
Liabilities					
Deposits by banks	18,870	–	18,870	–	18,870
Customer accounts	135,478	–	135,444	–	135,444
Repurchase agreements and other similar secured borrowing	283	–	283	–	283
Debt securities in issue	33,826	–	33,827	–	33,827
Subordinated liabilities and other borrowed funds	14,076	–	14,039	–	14,039
Other liabilities[1]	20,125	–	20,125	–	20,125
At 31 December 2021	222,658	–	222,588	–	222,588

	Carrying value $million	Fair value Level 1 $million	Fair value restated Level 2 $million	Fair value Level 3 $million	Fair value restated Total $million
Assets					
Cash and balances at central banks[1]	46,476	–	46,476	–	46,476
Loans and advances to banks	14,997	–	14,998	–	14,998
of which – reverse repurchase agreements and other similar secured lending	55	–	55	–	55
Loans and advances to customers	72,969	–	10,252	62,602	72,854
of which – reverse repurchase agreements and other similar secured lending	2,283	–	2,283	–	2,283
Investment securities[2]	12,876	–	13,754	–	13,754
Other assets[1]	23,495	–	23,495	–	23,495
Assets held for sale	83	–	25	58	83
At 31 December 2020	170,896	–	109,000	62,660	171,660
Liabilities					
Deposits by banks	18,482	–	18,482	–	18,482
Customer accounts	122,061	–	121,889	–	121,889
Repurchase agreements and other similar secured borrowing	–	–	–	–	–
Debt securities in issue	27,661	–	27,661	–	27,661
Subordinated liabilities and other borrowed funds	14,339	–	14,281	–	14,281
Other liabilities[1,3]	23,224	–	23,224	–	23,224
At 31 December 2020	205,767	–	205,537	–	205,537

1 The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are short-term in nature or reprice to current market rates frequently

2 Includes Government bonds and Treasury bills of $13,827 million as at 31 December 2021 and $6,548 million as at 31 December 2020

3 Includes correction of fair value hedge accounting adjustment $81 million

12. Financial instruments continued

Loans and advances to customers by client segment[1]

Group

	2021					
	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, Commercial & Institutional Banking	2,187	77,580	79,767	2,278	77,330	79,608
Consumer, Private & Business Banking	528	45,520	46,048	528	45,687	46,215
Central & other items	–	18,984	18,984	–	18,983	18,983
At 31 December 2021	**2,715**	**142,084**	**144,799**	**2,806**	**142,000**	**144,806**

	2020					
	Carrying value			Fair value		
	Stage 3 $million	Stage 1 and stage 2[2] $million	Total $million	Stage 3 $million	Stage 1 and stage 2 $million	Total $million
Corporate, Commercial & Institutional Banking[2]	2,721	78,126	80,847	2,787	77,981	80,768
Consumer, Private & Business Banking[2]	601	41,959	42,560	608	41,944	42,552
Central & other items	–	17,454	17,454	–	17,455	17,455
At 31 December 2020	3,322	137,539	140,861	3,395	137,380	140,775

1 Loans and advances includes reverse repurchase agreements and other similar secured lending: carrying value $3,764 million and fair value $3764 million (31 December 2020: $2,919 million and $2,922 million respectively)

2 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking; Private Banking and Retail Banking to Consumer, Private & Business Banking. Prior period has been restated

Company

	2021					
	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, Commercial & Institutional Banking	1,716	54,645	56,361	1,748	54,419	56,167
Consumer, Private & Business Banking	276	11,925	12,201	276	11,928	12,204
Central & other items	–	2,599	2,599	–	2,597	2,597
At 31 December 2021	**1,992**	**69,169**	**71,161**	**2,024**	**68,944**	**70,968**

	2020					
	Carrying value			Fair value		
	Stage 3 $million	Stage 1 and stage 2[2] $million	Total $million	Stage 3 $million	Stage 1 and stage 2 $million	Total $million
Corporate, Commercial & Institutional Banking[2]	2,046	56,502	58,548	2,113	56,293	58,406
Consumer, Private & Business Banking[2]	355	11,761	12,116	362	11,781	12,143
Central & other items	–	2,305	2,305	–	2,305	2,305
At 31 December 2020	2,401	70,568	72,969	2,475	70,379	72,854

1 Loans and advances includes reverse repurchase agreements and other similar secured lending: carrying value $3047 million and fair value $3047 million (31 December 2020: $2,283 million and fair value $2,283 million)

2 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking; Private Banking and Retail Banking to Consumer, Private & Business Banking. Prior period has been restated

12. Financial instruments continued

Fair value of financial instruments

Level 3 Summary and significant unobservable inputs

The following table presents the Group's primary Level 3 financial instruments which are held at fair value. The table also presents the valuation techniques used to measure the fair value of those financial instruments, the significant unobservable inputs, the range of values for those inputs and the weighted average of those inputs:

Group

	Value as at 31 December 2021					
Instrument	Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to banks	9	–	Discounted cash flows	Recovery rates	87.3%-100%	93.6%
Loans and advances to customers	410	–	Discounted cash flows	Price/yield	2.0%-11.8%	5.2%
				Recovery rates	10.6%-100.0%	77.8%
Reverse repurchase agreements and other similar secured lending	1,555	–	Discounted cash flows	Repo curve	0.3%-3.0%	2.4%
Debt securities, alternative tier one and other eligible securities	312	–	Discounted cash flows	Price/yield	6.6%-12.4%	7.8%
				Recovery rates	0.01%-1.0%	0.2%
Government bonds and treasury bills	40	–	Discounted cash flows	Price/yield	2.7%-5.5%	3.7%
Asset-backed securities	–	–	Discounted cash flows	Price/yield	N/A	N/A
Equity shares (includes private equity investments)	490	–	Comparable pricing/yield	EV/EBITDA multiples	6.1x-15.3x	8.6x
				EV/Revenue multiples	10.1x-10.1x	10.1x
				P/E multiples	12.6x-25.3x	14.9x
				P/B multiples	0.4x-3.3x	1.5x
				P/S multiples	1.8x-2.6x	1.8x
				Liquidity discount	7.9%-29.2%	16.1%
			Discounted cash flows	Discount rates	6.0%-17.4%	8.3%
			Option pricing model	Equity value based on EV/Revenue multiples	4.0x-85.5x	12.1x
				Equity value based on volatility	55.0%-65.0%	60.3%
Derivative financial instruments of which:						
Foreign exchange	12	5	Option pricing model	Foreign exchange option implied volatility	3.1% to 6.1%	5.1%
			Discounted cash flows	Foreign exchange curves	(16.4)%-57.3%	9.5%
Interest rate	50	16	Discounted cash flows	Interest rate curves	(16.4)%-18.8%	5.3%
			Option pricing model	Bond option implied volatility	15.0%-32.0%	21.1%
Credit	2	41	Discounted cash flows	Credit spreads	0.1%-3.4%	1.4%
				Price/yield	5.9%-7.3%	1.1%
Equity and stock index	3	34	Internal pricing model	Equity correlation	8.0%-96.0%	70.0%
				Equity-FX correlation	(70.0)%-85.0%	(33.0)%
Deposits by banks	–	22	Discounted cash flows	Price/Yield	6.8%-8.3%	7.5%
Customer accounts	–	365	Discounted cash flows	Interest rate curves	0.9%-5.6%	4.9%
				Price/yield	8.9%-12.1%	10.1%
Debt securities in issue	–	781	Discounted cash flows	Credit spreads	0.9%-2.2%	1.0%
				Interest rate curves	0.9%-5.6%	4.9%
			Internal pricing model	Equity correlation	8.0%-96.0%	70.0%
				Equity-FX correlation	(70.0)%-85.0%	(33.0)%
Total	2,883	1,264				

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 2021. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments

2 Weighted average for non-derivative financial instruments has been calculated by weighting inputs by the relative fair value. Weighted average for derivatives has been provided by weighting inputs by the risk relevant to that variable. N/A has been entered for the cases where weighted average is not a meaningful indicator

12. Financial instruments continued

Instrument	Value as at 31 December 2020 Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to banks	200	–	Discounted cash flows	Price/yield	12.7%-12.9%	12.8%
Loans and advances to customers	464	–	Discounted cash flows	Price/yield	0.9%-11.5%	5.0%
				Recovery rates	34.2%-100%	74.7%
Reverse repurchase agreements and other similar secured lending	1,064	–	Discounted cash flows	Repo curve	1.0%-3.2%	2.8%
Debt securities, alternative tier one and other eligible securities	132	–	Discounted cash flows	Price/yield	4.7%-11.5%	10.8%
Government bonds and treasury bills	40	–	Discounted cash flows	Price/yield	2.8%-5.5%	3.6%
Asset-backed securities	63	–	Discounted cash flows	Price/yield	8.3%-12.0%	11.7%
Equity shares (includes private equity investments)	379	–	Comparable pricing/yield	EV/EBITDA multiples	3.3x	3.3x
				P/E multiples	N/A	N/A
				P/B multiples	0.5x-0.8x	62.0%
				P/S multiples	N/A	N/A
				Liquidity discount	20.0%	20.0%
			Discounted cash flows	Discount rates	8.4%-16.2%	9.5%
			Option pricing model	Equity value based on EV/Revenue multiples	13.5x-130.9x	114.9x
Derivative financial instruments of which:						
Foreign exchange	4	4	Option pricing model	Foreign exchange option implied volatility	N/A	N/A
			Discounted cash flows	Foreign exchange curves	2.7%-5.6%	4.1%
Interest rate	2	26	Discounted cash flows	Interest rate curves	(5.2)%-18.6%	9.6%
			Option pricing model	Bond option implied volatility	20.0%-30.0%	24.2%
Credit	2	82	Discounted cash flows	Credit spreads	1.0%-2.0%	2.0%
				Price/yield	0.9%-12.0%	11.5%
Equity and stock index	1	5	Internal pricing model	Equity correlation	20.0%-90.0%	49.0%
				Equity-FX correlation	(70.0)%-80.0%	(59.0)%
Customer accounts	–	(3)	Discounted cash flows	Credit spreads	N/A	N/A
				Interest rate curves	(0.4)%-7.7%	3.9%
				Recovery rates	N/A	N/A
Debt securities in issue	–	124	Discounted cash flows	Credit spreads	0.11%-2.0%	1.2%
			Internal pricing model	Equity correlation	20.0%-90.0%	49.0%
				Equity-FX correlation	(70.0)%-80.0%	(59.0)%
Total	2,351	238				

1 The ranges of values shown in the above table represent the highest and lowest levels used in the valuation of the Group's Level 3 financial instruments as at 31 December 2020. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments

2 Weighted average for non-derivative financial instruments has been calculated by weighting inputs by the relative fair value. Weighted average for derivatives has been provided by weighting inputs by the risk relevant to that variable. N/A has been entered for the cases where weighted average is not a meaningful indicator

12. Financial instruments continued

Company

Instrument	Value as at 31 December 2021 Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to banks	9	–	Discounted cash flows	Recovery rates	87.3%-100%	93.6%
Loans and advances to customers	82	–	Discounted cash flows	Price/yield	2.0%-3.9%	2.3%
				Recovery rates	29.7%-100%	83.4%
Reverse repurchase agreements and other similar secured lending	1,555	–	Discounted cash flows	Repo curve	0.3%-3.0%	2.4%
Debt securities, alternative tier one and other eligible securities	464	–	Discounted cash flows	Price/yield	6.6%-12.4%	7.1%
				Recovery rates	0.01%-0.03%	0.02%
Government bonds and treasury bills	25	–	Discounted cash flows	Price/yield	2.70%-4.36%	3.5%
Asset-backed securities	–	–	N/A	N/A	N/A	N/A
Equity shares (includes private equity investments)	208	–	Comparable pricing/yield	EV/EBITDA multiples	N/A	N/A
				EV/Revenue multiples	10.1x-10.1x	10.1x
				P/E multiples	12.6x-25.3x	13.2x
				P/B multiples	0.6x-1.0x	0.6x
				P/S multiples	1.8x-2.6x	1.8x
				Liquidity discount	20.0%	20.0%
			Discounted cash flows	Discount rates	6.0%-17.4%	6.9%
			Option pricing model	Equity value based on EV/Revenue multiples	4.0x-85.5x	12.1x
				Equity value based on volatility	55.0%-65.0%	60.3%
Derivative financial instruments of which:						
Foreign exchange	14	16	Option pricing model	Foreign exchange Option implied volatility	3.1%-6.1%	5.1%
			Discounted cash flows	Foreign exchange curves	(16.4)%-57.3%	9.5%
Interest rate	50	15	Discounted cash flows	Interest rate curves	(16.4)%-18.8%	5.2%
			Option pricing model	Bond option implied volatility	15.0%-21.0%	19.4%
Credit	2	41	Discounted cash flows	Credit spreads	0.1%-3.4%	1.1%
				Price/yield	5.9%-7.3%	6.6%
Equity and stock index	3	33	Internal pricing model	Equity correlation	8.0%-96.0%	70.0%
				Equity-FX correlation	(70.0)%-85.0%	(33.0)%
Deposits by banks	–	22	Discounted cash flows	Price/yield	6.8%-8.3%	7.5%
Customer accounts	–	292	Discounted cash flows	Interest rate curves	0.9%-5.6%	4.9%
				Price/yield	8.9%-10.8%	9.8%
Debt securities in issue	–	614	Discounted cash flows	Credit spreads	0.9%-2.2%	1.0%
				Interest rate curves	0.9%-5.6%	4.9%
			Internal pricing model	Equity correlation	N/A	N/A
				Equity-FX correlation	N/A	N/A
Total	2,412	1,033				

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 2021. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments

2 Weighted average for non-derivative financial instruments has been calculated by weighting inputs by the relative fair value. Weighted average for derivatives has been provided by weighting inputs by the risk relevant to that variable. N/A has been entered for the cases where weighted average is not a meaningful indicator

12. Financial instruments continued

Instrument	Value as at 31 December 2020 Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to banks	200	–	Discounted cash flows	Price/yield	12.7%-12.9%	12.8%
Loans and advances to customers	275	–	Discounted cash flows	Price/yield	0.9%-11.5%	6.3%
				Recovery rates	34.2%-100%	69.6%
Reverse repurchase agreements and other similar secured lending	1,064	–	Discounted cash flows	Repo curve	1.0%-3.2%	2.8%
Debt securities, alternative tier one and other eligible securities	72	–	Discounted cash flows	Price/yield	4.7%-11.5%	10.7%
Government bonds and treasury bills	28	–	Discounted cash flows	Price/yield	2.8%-5.5%	3.4%
Asset-backed securities	63	–	Discounted cash flows	Price/yield	8.3%-12.0%	11.7%
				Recovery rates	NA	NA
Equity shares (includes private equity investments)	172	–	Comparable pricing/yield	EV/EBITDA multiples	3.3x	3.3x
				P/E multiples	N/A	N/A
				P/B multiples	0.5x-0.8x	0.6x
				P/S multiples	N/A	N/A
				Liquidity discount	20.0%	20.0%
			Discounted cash flows	Discount rates	N/A	N/A
			Option pricing model	Equity value based on EV/Revenue multiples	13.5x-130.9x	114.9x
Derivative financial instruments of which:						
Foreign exchange	6	15	Option pricing model	Foreign exchange option implied volatility	N/A	N/A
			Discounted cash flows	Foreign exchange curves	2.7%-5.6%	4.1%
Interest rate	2	26	Discounted cash flows	Interest rate curves	(5.2)%-18.6%	9.7%
			Option pricing model	Bond option implied volatility	20.0%-30.0%	24.2%
Credit	2	44	Discounted cash flows	Credit spreads	1.0%-2.0%	1.0%
				Price/yield	2.0%-12.0%	12.0%
Equity and stock index	1	5	Internal pricing model	Equity correlation	20.0%-90.0%	49.0%
				Equity-FX correlation	(70.0)%-80.0%	(59.0)%
Customer accounts	–	(3)	Discounted cash flows	Credit spreads	NA	NA
				Interest rate curves	(0.4)%-7.7%	3.9%
				Recovery rates	N/A	N/A
Debt securities in issue	–	124	Discounted cash flows	Credit spreads	0.11%-2.0%	1.2%
			Internal pricing model	Equity correlation	20.0%-90.0%	49.0%
				Equity-FX correlation	(70.0)%-80.0%	(59.0)%
Total	1,885	211				

1 The ranges of values shown in the above table represent the highest and lowest levels used in the valuation of the Group's Level 3 financial instruments as at 31 December 2020. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments

2 Weighted average for non-derivative financial instruments has been calculated by weighting inputs by the relative fair value. Weighted average for derivatives has been provided by weighting inputs by the risk relevant to that variable. N/A has been entered for the cases where weighted average is not a meaningful indicator

12. Financial instruments continued

The following section describes the significant unobservable inputs identified in the valuation technique table:

- **Comparable price/yield** is a valuation methodology in which the price of a comparable instrument is used to estimate the fair value where there are no direct observable prices. Yield is the interest rate that is used to discount the future cash flows in a discounted cash flow model. Valuation using comparable instruments can be done by calculating an implied yield (or spread over a liquid benchmark) from the price of a comparable instrument, then adjusting that yield (or spread) to derive a value for the instrument. The adjustment should account for relevant differences in the financial instruments such as maturity and/or credit quality. Alternatively, a price-to-price basis can be assumed between the comparable instrument and the instrument being valued in order to establish the value of the instrument (for example, deriving a fair value for a junior unsecured bond from the price of a senior secured bond). An increase in price, in isolation, would result in a favourable movement in the fair value of the asset. An increase in yield, in isolation, would result in an unfavourable movement in the fair value of the asset
- **Correlation** is the measure of how movement in one variable influences the movement in another variable. An equity correlation is the correlation between two equity instruments while an interest rate correlation refers to the correlation between two swap rates
- **Credit spread** represents the additional yield that a market participant would demand for taking exposure to the Credit Risk of an instrument
- **Discount rate** refers to the rate of return used to convert expected cash flows into present value
- **Equity-FX correlation** is the correlation between equity instrument and foreign exchange instrument
- **EV/EBITDA multiple** 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, will result in a favourable movement in the fair value of the unlisted firm
- **EV/Revenue multiple** is the ratio of Enterprise Value (EV) to Revenue. An increase in EV/Revenue multiple will result in a favourable movement in the fair value of the unlisted firm
- **Foreign exchange curves** is the term structure for forward rates and swap rates between currency pairs over a specified period
- **Net asset value (NAV)** is the value of an entity's assets after deducting any liabilities
- **Interest rate curves** is the term structure of interest rates and measure of future interest rates at a particular point in time
- **Liquidity discounts in the valuation of unlisted investments** primarily applied to the valuation of unlisted firms' investments to reflect the fact that these stocks are not actively traded. An increase in liquidity discount will result an unfavourable movement in the fair value of the unlisted firm
- **Price-Earnings (P/E) multiples** is the ratio of the market value of equity to the net income after tax. An increase in P/E multiple will result in a favourable movement in the fair value of the unlisted firm
- **Price-Book (P/B) multiple** is the ratio of the market value of equity to the book value of equity. An increase in P/B multiple will result in a favourable movement in the fair value of the unlisted firm
- **Price-Sales (P/S) multiple** is the ratio of the market value of equity to sales. An increase in P/S multiple will result in a favourable movement in the fair value of the unlisted firm
- **Recovery rates** are the expectation of the rate of return resulting from the liquidation of a particular loan. As the probability of default increases for a given instrument, the valuation of that instrument will increasingly reflect its expected recovery level assuming default. An increase in the recovery rate, in isolation, would result in a favourable movement in the fair value of the loan
- **Repo curve** is the term structure of repo rates on repos and reverse repos at a particular point in time.
- **Volatility** represents an estimate of how much a particular instrument, parameter or index will change in value over time. Generally, the higher the volatility, the more expensive the option will be

12. Financial instruments continued

Level 3 movement tables – financial assets

The table below analyses movements in Level 3 financial assets carried at fair value.

Group

	Held at fair value through profit or loss						Investment securities		
Assets	Loans and advances to banks $million	Loans and advances to customers $million	Reverse repurchase agreements and other similar secured lending $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Derivative financial instruments $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Total $million
At 1 January 2021	200	464	1,064	195	124	9	40	255	2,351
Total gains/(losses) recognised in income statement	1	(80)	2	(32)	(4)	9	–	–	(104)
Net trading income	1	(80)	2	(31)	(4)	9	–	–	(103)
Other operating income	–	–	–	(1)	–	–	–	–	(1)
Total gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	3	60	63
Fair value through OCI reserve	–	–	–	–	–	–	4	61	65
Exchange difference	–	–	–	–	–	–	(1)	(1)	(2)
Purchases	9	339	4,962	387	10	92	–	94	5,893
Sales	–	(301)	(4,392)	(202)	(16)	(31)	–	(9)	(4,951)
Settlements	(201)	(161)	(81)	(60)	–	(5)	(13)	–	(521)
Transfers out[1]	–	(41)	–	–	(16)	(11)	–	(8)	(76)
Transfers in[2]	–	190	–	24	–	4	10	–	228
At 31 December 2021	9	410	1,555	312	98	67	40	392	2,883
Total unrealised gains/(losses) recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2021	–	–	–	–	12	(2)	–	–	10

1 Transfers out includes equity shares, derivative financial instruments and loans and advances where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2.

2 Transfers in primarily relate to debt securities, alternative tier one and other eligible bills, derivative financial instruments and loans and advances where the valuation parameters become unobservable during the year

12. Financial instruments continued

The table below analyses movements in Level 3 financial assets carried at fair value.

	Held at fair value through profit or loss						Investment securities		
Assets	Loans and advances to banks $million	Loans and advances to customers $million	Reverse repurchase agreements and other similar secured lending $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Derivative financial instruments $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Total $million
At 1 January 2020	365	156	–	170	46	15	38	201	991
Total gains/(losses) recognised in income statement	16	(8)	1	(21)	(48)	(6)	–	–	(66)
Net trading income	16	(8)	1	(19)	(48)	(6)	–	–	(64)
Other operating income	–	–	–	(2)	–	–	–	–	(2)
Total gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	6	28	34
Fair value through OCI reserve	–	–	–	–	–	–	7	28	35
Exchange difference	–	–	–	–	–	–	(1)	–	(1)
Purchases	321	465	1,165	43	7	117	36	33	2,187
Sales	(164)	(28)	(102)	(110)	(16)	(70)	–	(4)	(494)
Settlements	(416)	(466)	–	(22)	–	(7)	–	–	(911)
Transfers out[1]	–	(113)	–	(37)	(1)	(40)	(40)	(3)	(234)
Transfers in[2]	78	458	–	172	136	–	–	–	844
At 31 December 2020	200	464	1,064	195	124	9	40	255	2,351
Total unrealised (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2020	–	(2)	–	4	–	–	–	–	2

1 Transfers out includes debt securities, alternative tier one and other eligible bills, equity shares, derivative financial instruments and loans and advances where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2. Transfers in of $62 million further relates to equity shares moved from held for sale

2 Transfers in primarily relate to debt securities, alternative tier one and other eligible bills, equity shares and loans and advances where the valuation parameters become unobservable during the year

12. Financial instruments continued

Level 3 movement tables – financial assets

The table below analyses movements in Level 3 financial assets carried at fair value.

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, alternative tier one and other eligible bills $million	Equity shares $million	Derivative financial instruments $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Total $million
At 1 January 2021	200	275	1,064	135	–	11	28	172	1,885
Total gains/(losses) recognised in income statement	1	(36)	2	(18)	–	9	–	–	(42)
Net trading income	1	(36)	2	(17)	–	9	–	–	(41)
Other operating income	–	–	–	(1)	–	–	–	–	(1)
Total gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	–	26	26
Fair value through OCI reserve	–	–	–	–	–	–	–	26	26
Exchange difference	–	–	–	–	–	–	–	–	–
Purchases	9	48	4,962	256	–	91	–	12	5,378
Sales	–	(235)	(4,392)	(170)	–	(30)	–	(2)	(4,829)
Settlements	(201)	(140)	(81)	–	–	(5)	(13)	–	(440)
Transfers out[1]	–	(20)	–	–	–	(11)	–	–	(31)
Transfers in[2]	–	190	–	–	–	4	271	–	465
At 31 December 2021	9	82	1,555	203	–	69	286	208	2,412
Total unrealised losses recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2021	–	–	–	–	–	(3)	–	–	(3)

1 Transfers out includes derivative financial instruments and loans and advances where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2.

2 Transfers in primarily relate to debt securities, alternative tier one and other eligible bills, derivative financial instruments and loans and advances where the valuation parameters become unobservable during the year

12. Financial instruments continued

Assets	Held at fair value through profit or loss: Loans and advances to banks $million	Loans and advances to customers $million	Reverse repurchase agreements and other similar secured lending $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Derivative financial instruments $million	Investment securities: Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Total $million
At 1 January 2020	365	121	–	99	–	17	591	170	1,363
Total gains/(losses) recognised in income statement	16	(6)	1	(24)	–	(6)	–	–	(19)
Net trading income	16	(6)	1	(24)	–	(6)	–	–	(19)
Other operating income	–	–	–	–	–	–	–	–	–
Total losses recognised in other comprehensive income (OCI)	–	–	–	–	–	–	–	(6)	(6)
Fair value through OCI reserve	–	–	–	–	–	–	–	(6)	(6)
Exchange difference	–	–	–	–	–	–	–	–	–
Purchases	321	34	1,165	42	–	118	36	15	1,731
Sales	(164)	(4)	(102)	(57)	–	(70)	(563)	(4)	(964)
Settlements	(416)	(5)	–	–	–	(7)	–	–	(428)
Transfers out[1]	–	(108)	–	(37)	–	(41)	(36)	(3)	(225)
Transfers in[2]	78	243	–	112	–	–	–	–	433
At 31 December 2020	200	275	1,064	135	–	11	28	172	1,885
Total unrealised gains recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2020	1	–	–	–	–	3	–	–	4

1 Transfers out includes debt securities, alternative tier one and other eligible bills, equity shares, derivative financial instruments and loans and advances where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2

2 Transfers in primarily relate to loans and advances and debt securities, alternative tier one and other eligible bills where the valuation parameters become unobservable during the year

12. Financial instruments continued

Level 3 movement tables – financial liabilities

Group

	2021				
	Deposits by banks $million	**Customer accounts $million**	**Debt securities in issue $million**	**Derivative financial instruments $million**	**Total $million**
At 1 January 2021	**–**	**(3)**	**124**	**117**	**238**
Total gains recognised in income statement – net trading income	**–**	**(2)**	**(12)**	**(8)**	**(22)**
Issues	**22**	**492**	**1,508**	**151**	**2,173**
Settlements	**–**	**(122)**	**(882)**	**(177)**	**(1,181)**
Transfers out[1]	**–**	**–**	**(49)**	**(6)**	**(55)**
Transfers in[2]	**–**	**–**	**92**	**19**	**111**
At 31 December 2021	**22**	**365**	**781**	**96**	**1,264**
Total unrealised (gains)/losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2021	**–**	**–**	**–**	**–**	**–**

	2020				
	Deposits by banks $million	Customer accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Total $million
At 1 January 2020	–	40	358	45	443
Total (gains)/losses recognised in income statement – net trading income	–	(1)	(11)	12	–
Issues	–	11	505	197	713
Settlements	–	(61)	(505)	(104)	(670)
Transfers out[1]	–	–	(223)	(53)	(276)
Transfers in[2]	–	8	–	20	28
At 31 December 2020	–	(3)	124	117	238
Total unrealised losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2020	–	1	–	1	2

1 Transfers out during the year primarily relates to debt securities in issue and derivative financial instruments where the valuation parameters became observable during the year and were transferred to Level 2 financial liabilities

2 Transfers in during the year primarily relates to debt securities in issue and derivative financial instruments where the valuation parameters became unobservable during the year

12. Financial instruments continued

Company

	2021				
	Deposits by banks $million	Customer accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Total $million
At 1 January 2021	–	(3)	124	90	211
Total gains recognised in income statement – net trading income	–	(1)	(8)	(7)	(16)
Issues	22	309	1,135	147	1,613
Settlements	–	(13)	(680)	(138)	(831)
Transfers out[1]	–	–	(49)	(5)	(54)
Transfers in[2]	–	–	92	18	110
At 31 December 2021	22	292	614	105	1,033
Total unrealised (gains)/losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2021	–	–	–	–	–

	2020				
	Deposits by banks $million	Customer accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Total $million
At 1 January 2020	–	–	358	46	404
Total (gains)/losses recognised in income statement – net trading income	–	–	(11)	8	(3)
Issues	–	(3)	426	161	584
Settlements	–	–	(427)	(92)	(519)
Transfers out[1]	–	–	(223)	(53)	(276)
Transfers in[2]	–	–	1	20	21
At 31 December 2020	–	(3)	124	90	211
Total unrealised (gains)/losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2020	–	–	–	–	–

1 Transfers out during the year primarily relates to debt securities in issue and derivative financial instruments where the valuation parameters became observable during the year and were transferred to Level 2 financial liabilities

2 Transfers in during the year primarily relates to debt securities in issue and derivative financial instruments where the valuation parameters become unobservable during the year

Sensitivities in respect of the fair values of Level 3 assets and liabilities

Sensitivity analysis is performed on products with significant unobservable inputs. The Group applies a 10 per cent increase or decrease on the values of these unobservable inputs, to generate a range of reasonably possible alternative valuations. The percentage shift is determined by statistical analysis performed on a set of reference prices based on the composition of the Group's Level 3 inventory as the measurement date. Favourable and unfavourable changes (which show the balance adjusted for input change) are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable parameters. The Level 3 sensitivity analysis assumes a one-way market move and does not consider offsets for hedges.

12. Financial instruments continued
Group

	Held at fair value through profit or loss			Fair value through other comprehensive income		
	Net exposure $million	Favourable changes $million	Unfavourable changes $million	Net exposure $million	Favourable changes $million	Unfavourable changes $million
Financial instruments held at fair value						
Loans and advances	**419**	**435**	**399**	**–**	**–**	**–**
Reverse Repurchase agreements and other similar secured lending	**1,555**	**1,568**	**1,538**	**–**	**–**	**–**
Asset-backed securities	**–**	**–**	**–**	**–**	**–**	**–**
Debt securities, alternative tier one and other eligible bills	**312**	**325**	**299**	**40**	**41**	**38**
Equity shares	**98**	**107**	**88**	**392**	**430**	**351**
Derivative financial instruments	**(29)**	**(13)**	**(45)**	**–**	**–**	**–**
Customer accounts	**(365)**	**(358)**	**(372)**	**–**	**–**	**–**
Deposits by banks	**(22)**	**(17)**	**(26)**	**–**	**–**	**–**
Debt securities in issue	**(781)**	**(723)**	**(838)**	**–**	**–**	**–**
At 31 December 2021	**1,187**	**1,324**	**1,043**	**432**	**471**	**389**
Financial instruments held at fair value						
Loans and advances	664	689	618	–	–	–
Reverse Repurchase agreements and other similar secured lending	1,064	1,089	1,040	–	–	–
Asset-backed securities	63	68	59	–	–	–
Debt securities, alternative tier one and other eligible bills	132	140	123	40	40	39
Equity shares	124	137	112	255	280	231
Derivative financial instruments	(108)	(97)	(120)	–	–	–
Customer accounts	3	5	1	–	–	–
Deposits by banks	–	–	–	–	–	–
Debt securities in issue	(124)	(118)	(131)	–	–	–
At 31 December 2020	1,818	1,913	1,702	295	320	270

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**	**2021 $million**	2020 $million
Held at fair value through profit or loss	Possible increase	**137**	95
	Possible decrease	**(144)**	(116)
Fair value through other comprehensive income	Possible increase	**39**	25
	Possible decrease	**(43)**	(25)

12. Financial instruments continued
Company

	Held at fair value through profit or loss			Fair value through other comprehensive income		
	Net exposure $million	Favourable changes $million	Unfavourable changes $million	Net exposure $million	Favourable changes $million	Unfavourable changes $million
Financial instruments held at fair value						
Loans and advances	**91**	**94**	**86**	**–**	**–**	**–**
Reverse Repurchase agreements and other similar secured lending	**1,555**	**1,568**	**1,539**	**–**	**–**	**–**
Asset-backed securities	**–**	**–**	**–**	**–**	**–**	**–**
Debt securities, alternative tier one and other eligible bills	**203**	**211**	**196**	**286**	**312**	**260**
Equity shares	**–**	**–**	**–**	**208**	**227**	**189**
Derivative financial instruments	**(36)**	**(15)**	**(57)**	**–**	**–**	**–**
Customer accounts	**(292)**	**(290)**	**(294)**	**–**	**–**	**–**
Deposits by banks	**(22)**	**(17)**	**(26)**	**–**	**–**	**–**
Debt securities in issue	**(614)**	**(556)**	**(672)**	**–**	**–**	**–**
At 31 December 2021	**885**	**995**	**772**	**494**	**539**	**449**
Financial instruments held at fair value						
Loans and advances	475	500	437	–	–	–
Reverse Repurchase agreements and other similar secured lending	1,064	1,089	1,040	–	–	–
Asset-backed securities	63	68	59	–	–	–
Debt securities, alternative tier one and other eligible bills	72	74	69	28	28	28
Equity shares	–	–	–	172	188	156
Derivative financial instruments	(79)	(67)	(91)	–	–	–
Customer accounts	3	5	1	–	–	–
Deposits by banks	–	–	–	–	–	–
Debt securities in issue	(124)	(118)	(131)	–	–	–
At 31 December 2020	1,474	1,551	1,384	200	216	184

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**	**2021 $million**	2020 $million
Held at fair value through profit or loss	Possible increase	**110**	77
	Possible decrease	**(113)**	(90)
Fair value through other comprehensive income	Possible increase	**45**	16
	Possible decrease	**(45)**	(16)

13. Derivative financial instruments

Accounting policy

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments.

Derivatives are initially recognised and subsequently measured at fair value, with revaluation gains recognised in profit or loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within other comprehensive income).

Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs which are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Hedge accounting

Under certain conditions, the Group may designate a recognised asset or liability, a firm commitment, highly probable forecast transaction or net investment of a foreign operation into a formal hedge accounting relationship with a derivative that has been entered to manage interest rate and/or foreign exchange risks present in the hedged item. The Group applies the 'Phase 1' hedge accounting requirements of IAS 39 Financial Instruments: Recognition and Measurement, and the 'Phase 2' amendments to IFRS in respect of interest rate benchmark reform. There are three categories of hedge relationships:

- Fair value hedge: to manage the fair value of interest rate and/or foreign currency risks of recognised assets or liabilities or firm commitments
- Cash flow hedge: to manage interest rate or foreign exchange risk of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction
- Net investment hedge: to manage the structural foreign exchange risk of an investment in a foreign operation

The Group formally documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions. This is described in more detail in the categories of hedges below.

The Group assesses, both at hedge inception and on a quarterly basis, whether the derivatives designated in hedge relationships are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedges are considered to be highly effective if all the following criteria are met:

- At inception of the hedge and throughout its life, the hedge is prospectively expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk
- Actual results of the hedge are within a range of 80–125%. This is tested using regression analysis
- The regression co-efficient (R squared), which measures the correlation between the variables in the regression, is at least 80%
- In the case of the hedge of a forecast transaction, the transaction must have a high probability of occurring and must present an exposure to variations in cash flows that are expected to affect reported profit or loss. The Group assumes that any interest rate benchmarks on which hedged item cash flows are based are not altered by IBOR reform

The Group discontinues hedge accounting in any of the following circumstances:

- The hedging instrument is not, or has ceased to be, highly effective as a hedge
- The hedging instrument has expired, is sold, terminated or exercised
- The hedged item matures, is sold or repaid
- The forecast transaction is no longer deemed highly probable
- The Group elects to discontinue hedge accounting voluntarily

For interest rate benchmarks deemed in scope of IBOR reform, if the actual result of a hedge is outside the 80-125% range, but the hedge passes the prospective assessment, then the Group will not de-designate the hedge relationship.

13. Derivative financial instruments continued

Under the Phase 2 Interest Rate Benchmark Reform amendments to IFRS 9 and IAS 39, the Group may change hedge designations and corresponding documentation without the hedge being discontinued where there is a change in interest rate benchmark of the hedged item, hedging instrument or designated hedged risk. Permitted changes include the right to:

- Redefine the description of the hedged item and/or hedging instrument
- Redefine the hedged risk to reference an alternative risk-free rate
- Change the method for assessing hedge effectiveness due to modifications required by IBOR reform
- Elect, on a hedge-by-hedge basis, to reset the cumulative fair value changes in the assessment of retrospective hedge effectiveness to zero

A hedge designation may be modified more than once, each time a relationship is affected as a direct result of IBOR reform.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in net trading income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the remaining term to maturity of the hedged item. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement. For financial assets classified as fair value through other comprehensive income, the hedge accounting adjustment attributable to the hedged risk is included in net trading income to match the hedging derivative.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedging instruments are initially recognised in other comprehensive income, accumulating in the cash flow hedge reserve within equity. These amounts are subsequently recycled to the income statement in the periods when the hedged item affects profit or loss. Both the derivative fair value movement and any recycled amount are recorded in the 'Cashflow hedges' line item in other comprehensive income.

The Group assesses hedge effectiveness using the hypothetical derivative method, which creates a derivative instrument to serve as a proxy for the hedged transaction. The terms of the hypothetical derivative match the critical terms of the hedged item and it has a fair value of zero at inception. The hypothetical derivative and the actual derivative are regressed to establish the statistical significance of the hedge relationship. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the net trading income immediately.

If a cash flow hedge is discontinued, the amount accumulated in the cash flow hedge reserve is released to the income statement as and when the hedged item affects the income statement.

For interest rate benchmarks deemed in scope of IBOR reform, the Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges even though there is uncertainty arising from these reforms with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than IBOR reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

Net investment hedge

Hedges of net investments are accounted for in a similar manner to cash flow hedges, with gains and losses arising on the effective portion of the hedges recorded in the line 'Exchange differences on translation of foreign operations' in other comprehensive income, accumulating in the translation reserve within equity. These amounts remain in equity until the net investment is disposed of. The ineffective portion of the hedges is recognised in the net trading income immediately.

The tables below analyse the notional principal amounts and the positive and negative fair values of derivative financial instruments. Notional principal amounts are the amounts of principal underlying the contract at the reporting date.

13. Derivative financial instruments continued

Derivatives

Group

Derivatives	2021 Notional principal amounts $million	2021 Assets $million	2021 Liabilities $million	2020 Notional principal amounts $million	2020 Assets $million	2020 Liabilities $million
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	3,353,471	32,966	32,597	3,009,523	34,813	35,905
Currency swaps and options	1,333,095	10,338	10,695	1,422,440	17,118	17,649
	4,686,566	43,304	43,292	4,431,963	51,931	53,554
Interest rate derivative contracts:						
Swaps	3,294,078	30,294	29,849	3,226,968	54,943	52,988
Forward rate agreements and options	125,200	1,313	1,852	609,074	1,590	1,858
Exchange traded futures and options	294,712	156	132	260,834	233	184
	3,713,990	31,763	31,833	4,096,876	56,766	55,030
Credit derivative contracts	182,161	2,244	2,404	140,189	1,686	2,014
Equity and stock index options	7,124	93	153	4,360	56	156
Commodity derivative contracts	109,543	1,724	1,787	68,802	1,298	826
Gross total derivatives	8,699,384	79,128	79,469	8,742,190	111,737	111,580
Offset	–	(25,883)	(25,883)	–	(42,512)	(42,512)
Total derivatives	8,699,384	53,245	53,586	8,742,190	69,225	69,068

Company

Derivatives	2021 Notional principal amounts $million	2021 Assets $million	2021 Liabilities $million	2020 Notional principal amounts $million	2020 Assets $million	2020 Liabilities $million
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	3,887,220	30,604	30,387	3,064,437	35,991	36,423
Currency swaps and options	1,362,078	10,967	11,424	1,386,480	16,393	17,041
	5,249,298	41,571	41,811	4,450,917	52,384	53,464
Interest rate derivative contracts:						
Swaps	3,597,413	31,993	31,543	3,204,279	54,355	52,719
Forward rate agreements and options	127,709	1,500	1,924	606,794	1,567	1,837
Exchange traded futures and options	294,712	156	132	260,834	233	184
	4,019,834	33,649	33,599	4,071,907	56,155	54,740
Credit derivative contracts	185,189	2,246	2,369	138,339	1,674	1,861
Equity and stock index options	5,342	50	71	3,523	36	103
Commodity derivative contracts	113,855	1,845	1,868	66,854	1,173	767
Gross total derivatives	9,573,518	79,361	79,718	8,731,540	111,422	110,935
Offset	–	(25,883)	(25,883)	–	(42,512)	(42,512)
Total derivatives	9,573,518	53,478	53,835	8,731,540	68,910	68,423

13. Derivative financial instruments continued

The Group limits exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are only presented net in these accounts where they are subject to legal right of offset and intended to be settled net in the ordinary course of business.

The Group applies balance sheet offsetting only in the instance where we are able to demonstrate legal enforceability of the right to offset (e.g. via legal opinion) and the ability and intention to settle on a net basis (e.g. via operational practice).

The Group has in prior years applied fair value hedge accounting to a debt instrument which changed its interest rate from a fixed to a floating rate. As a result of this the fair value adjustment to the interest rate component of the hedged item was calculated in error. This resulted in an understatement of P&L and overstatement of the liability of $81m up to the end of 2020. This have been corrected in retained earnings.

The Group may enter into economic hedges that do not qualify for IAS 39 hedge accounting treatment, including derivative such as interest rate swaps, interest rate futures and cross currency swaps to manage interest rate and currency risks of the Group. These derivatives are measured at fair value, with fair value changes recognised in net trading income: refer to Market risk (page 108).

The Derivatives and Hedging sections of the Risk review and Capital review (page 118 - 119) explain the Group's risk management of derivative contracts and application of hedging.

Derivatives held for hedging

The Group enters into derivative contracts for the purpose of hedging interest rate, currency and structural foreign exchange risks inherent in assets, liabilities and forecast transactions. The table below summarises the notional principal amounts and carrying values of derivatives designated in hedge accounting relationships at the reporting date.

Group

	2021			2020		
	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	53,621	623	181	43,822	727	411
Currency swaps	202	6	12	151	8	9
	53,823	629	193	43,973	735	420
Derivatives designated as cash flow hedges:						
Interest rate swaps	2,651	5	10	1,441	12	21
Forward foreign exchange contracts	72	2	–	164	21	–
Currency swaps	226	–	12	278	–	12
	2,949	7	22	1,883	33	33
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	2,611	–	27	685	–	31
Total derivatives held for hedging	59,383	636	242	46,541	768	484

13. Derivative financial instruments continued

Company

	2021			2020		
	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	52,444	618	174	41,833	727	350
Currency swaps	202	6	12	151	8	9
	52,646	624	186	41,984	735	359
Derivatives designated as cash flow hedges:						
Interest rate swaps	2,651	5	10	541	–	21
Forward foreign exchange contracts	72	2	–	164	21	–
Currency swaps	69	–	2	278	–	12
	2,792	7	12	983	21	33
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	1,871	–	16	685	–	31
Total derivatives held for hedging	57,309	631	214	43,652	756	423

Fair value hedges

The Group issues various long-term fixed rate debt issuances that are measured at amortised cost, including some denominated in foreign currency, such as unsecured senior and subordinated debt (see Notes 22 and 27). The Group also holds various fixed rate debt securities such as government and corporate bonds, including some denominated in foreign currency (see Note 13). These assets and liabilities held are exposed to changes in fair value due to movements in market interest and foreign currency rates.

The Group uses interest rate swaps to exchange fixed rates for floating rates on funding to match floating rates received on assets, or exchange fixed rates on assets to match floating rates paid on funding. The Group further uses cross currency swaps to match the currency of the issued debt or held asset with that of the entity's functional currency.

Hedge ineffectiveness from fair value hedges is driven by cross currency basis risk. The amortisation of fair value hedge adjustments for hedged items no longer designated is recognised in net trading income. In future periods hedge relationships linked to an interest rate benchmark deemed in scope of benchmark reform may experience ineffectiveness due to market participants' expectations for when the change from the existing IBOR benchmark to an alternative risk-free rate will occur, since the transition may occur at different times for the hedged item and hedging instrument.

At 31 December 2021 the Group held the following interest rate and cross currency swaps as hedging instruments in fair value hedges of interest and currency risk.

Hedging instruments and ineffectiveness

Group

	2021				
		Carrying amount			
Interest rate[1]	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Ineffectiveness recognised in profit or loss $million
Interest rate swaps – issued notes	18,694	322	106	(384)	(3)
Interest rate swaps – loans and advances	855	4	3	7	–
Interest rate swaps – debt securities and other eligible bills	34,072	297	72	547	(1)
Interest and currency risk[1]					
Cross currency swaps – subordinated notes issued	48	–	11	(2)	1
Cross currency swaps – debt securities and other eligible bills	154	6	1	1	–
Total at 31 December 2021	53,823	629	193	169	(3)

1 Interest rate swaps are designated in hedges of the fair value of interest rate risk attributable to the hedged item. Cross currency swaps are used to hedge both interest rate and currency risks. All the hedging instruments are derivatives, with changes in fair value including hedge ineffectiveness recorded within net trading income

13. Derivative financial instruments continued

	2020				
		Carrying amount			
Interest rate[1]	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Ineffectiveness recognised in profit or loss $million
Interest rate swaps – issued notes	15,256	707	14	232	1
Interest rate swaps – loans and advances	613	–	12	(6)	–
Interest rate swaps – debt securities and other eligible bills	27,954	20	385	(715)	2
Interest and currency risk[1]					
Cross currency swaps – subordinated notes issued	48	–	9	5	2
Cross currency swaps – debt securities and other eligible bills	102	8	–	(5)	(1)
Total at 31 December 2020	43,973	735	420	(489)	4

1 Interest rate swaps are designated in hedges of the fair value of interest rate risk attributable to the hedged item. Cross currency swaps are used to hedge both interest rate and currency risks. All the hedging instruments are derivatives, with changes in fair value including hedge ineffectiveness recorded within net trading income

Hedged items in fair value hedges

	2021					
	Carrying amount		**Accumulated amount of fair value hedge adjustments included in the carrying amount**			
	Asset $million	**Liability $million**	**Asset $million**	**Liability $million**	**Change in the value used for calculating hedge ineffectiveness $million**	**Cumulative balance of fair value adjustments from de-designated hedge relationships**[1] **$million**
Issued notes	**–**	**18,850**	**–**	**134**	**384**	**53**
Debt securities and other eligible bills	**34,062**	**–**	**(286)**	**–**	**(549)**	**(7)**
Loans and advances to customers	**853**	**–**	**(2)**	**–**	**(8)**	**(1)**
Total at 31 December 2021	**34,915**	**18,850**	**(288)**	**134**	**(173)**	**45**

	2020					
	Carrying amount		Accumulated amount of fair value hedge adjustments included in the carrying amount			
	Asset $million	Liability $million	Asset $million	Liability $million	Change in fair value used for calculating hedge ineffectiveness $million	Cumulative balance of fair value adjustments from de-designated hedge relationships[1] $million
Issued notes	–	15,051	–	585	(237)	3
Debt securities and other eligible bills	28,853	–	299	–	722	(74)
Loans and advances to customers	623	–	10	–	6	(1)
Total at 31 December 2020	29,476	15,051	309	585	491	(72)

1 This represents a credit/(debit) to the balance sheet value

Income statement impact of fair value hedges

	2021 $million Income/ (expense)	2020 $million Income/ (expense)
Change in fair value of hedging instruments	**169**	(489)
Change in fair value of hedged risks attributable to hedged items	**(173)**	491
Net ineffectiveness (loss)/gain to net trading income	**(4)**	2
Amortisation gain/(loss) to net interest income	**55**	(55)

13. Derivative financial instruments continued

Hedging instruments and ineffectiveness

Company

Interest rate[1]	2021 Notional $million	Carrying amount Asset $million	Carrying amount Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Ineffectiveness recognised in profit or loss $million
Interest rate swaps – issued notes	18,694	322	105	(384)	(4)
Interest rate swaps – loans and advances	826	3	3	6	–
Interest rate swaps – debt securities and other eligible bills	32,924	293	66	534	(1)
Interest and currency risk[1]					
Cross currency swaps – subordinated notes issued	48	–	11	(2)	1
Cross currency swaps – debt securities and other eligible bills	154	6	1	1	–
Total at 31 December 2021	**52,646**	**624**	**186**	**155**	**(4)**

1 Interest rate swaps are designated in hedges of the fair value of interest rate risk attributable to the hedged item. Cross currency swaps are used to hedge both interest rate and currency risks. All the hedging instruments are derivatives, with changes in fair value including hedge ineffectiveness recorded within net trading income

Interest rate[1]	2020 Notional $million	Carrying Amount Asset $million	Carrying Amount Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Ineffectiveness recognised in profit or loss $million
Interest rate swaps – issued notes	15,257	707	14	232	1
Interest rate swaps – loans and advances	463	–	12	(6)	–
Interest rate swaps – debt securities and other eligible bills	26,114	20	324	(675)	2
Interest and currency risk[1]					
Cross currency swaps – subordinated notes issued	48	–	9	5	–
Cross currency swaps – debt securities and other eligible bills	102	8	–	(5)	(1)
Total at 31 December 2020	41,984	735	359	(449)	2

1 Interest rate swaps are designated in hedges of the fair value of interest rate risk attributable to the hedged item. Cross currency swaps are used to hedge both interest rate and currency risks. All the hedging instruments are derivatives, with changes in fair value including hedge ineffectiveness recorded within net trading income

Hedged Items in fair value hedges

2021	Carrying amount Asset $million	Carrying amount Liability $million	Accumulated amount of fair value hedge adjustments included in the carrying amount Asset $million	Accumulated amount of fair value hedge adjustments included in the carrying amount Liability $million	Change in the value used for calculating hedge ineffectiveness $million	Cumulative balance of fair value adjustments from de-designated hedge relationships[1] $million
Issued notes	–	18,850	–	134	384	53
Debt securities and other eligible bills	32,907	–	(287)	–	(535)	–
Loans and advances to customers	825	–	(1)	–	(8)	(1)
Total at 31 December 2021	**33,732**	**18,850**	**(288)**	**134**	**(159)**	**52**

13. Derivative financial instruments continued

	2020					
	Carrying amount		Accumulated amount of fair value hedge adjustments included in the carrying amount			
	Asset $million	Liability $million	Asset $million	Liability $million	Change in fair value used for calculating hedge ineffectiveness $million	Cumulative balance of fair value adjustments from de-designated hedge relationships[1] $million
Issued notes	–	15,051	–	585	(237)	3
Debt securities and other eligible bills	26,957	–	246	–	681	(65)
Loans and advances to customers	473	–	10	–	6	(1)
Total at 31 December 2020	27,430	15,051	256	585	450	(63)

1 This represents a credit/(debit) to the balance sheet value

Income statement impact of fair value hedges

	2021 $million Income/ (expense)	2020 $million Income/ (expense)
Change in fair value of hedging instruments	**155**	(449)
Change in fair value of hedged risks attributable to hedged items	**(159)**	450
Net ineffectiveness (loss)/gain to net trading income	**(4)**	1
Amortisation gain/(loss) to net interest income	**49**	(49)

Cash flow hedges

The Group has exposure to market movements in future interest cash flows on portfolios of customer accounts, debt securities and loans and advances to customers. The amounts and timing of future cash flows, representing both principal and interest flows, are projected on the basis of contractual terms and other relevant factors, including estimates of prepayments and defaults.

The hedging strategy of the Group involves using interest rate swaps to manage the variability in future cash flows on assets and liabilities that have floating rates of interest by exchanging the floating rates for fixed rates. It also uses foreign exchange contracts and currency swaps to manage the variability in future exchange rates on its assets and liabilities and costs in foreign currencies. This is done on both a micro basis whereby a single interest rate or cross currency swap is designated in a separate relationship with a single hedged item (such as a floating rate loan to a customer), and on a portfolio basis whereby each hedging instrument is designated against a group of hedged items that share the same risk (such as a group of customer accounts).

The hedged risk is determined as the variability of future cash flows arising from changes in the designated benchmark interest rate.

Hedging instruments and ineffectiveness

Group

	2021						
		Carrying amount					
	Notional $million	**Asset $million**	**Liability $million**	**Change in fair value used to calculate hedge ineffectiveness $million**	**Gain/(loss) recognised in OCI $million**	**Ineffectiveness gain/(loss) recognised in net trading income $million**	**Amount reclassified from reserves to income $million**
Interest rate risk							
Interest rate swaps	**2,651**	**5**	**10**	**14**	**14**	**–**	**–**
Currency risk							
Forward foreign exchange contract	**72**	**2**	**–**	**2**	**2**	**–**	**–**
Cross currency swaps	**226**	**–**	**12**	**(3)**	**(3)**	**–**	**–**
Total as at 31 December 2021	**2,949**	**7**	**22**	**13**	**13**	**–**	**–**

13. Derivative financial instruments continued

	2020						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Gain/(loss) recognised in OCI $million	Ineffectiveness gain/(loss) recognised in net trading income $million	Amount reclassified from reserves to income $million
Interest rate risk							
Interest rate swaps	1,441	12	21	9	9	–	–
Currency risk							
Forward foreign exchange contract	164	21	–	14	14	–	–
Cross currency swaps	278	–	12	39	39	–	–
Total as at 31 December 2020	1,883	33	33	62	62	–	–

Hedged items in cash flow hedges

	2021		
	Change in fair value used for calculating hedge ineffectiveness $million	**Cash flow hedge reserve $million**	**Cumulative balance in the cash flow hedge reserve from de-designated hedge relationships $million**
Customer accounts	**(13)**	**(6)**	**–**
Debt securities and other eligible bills	**2**	**(2)**	**–**
Loans and advances to customers	**1**	**(1)**	**–**
Forecast cashflow currency hedge	**–**	**–**	**–**
Intragroup borrowing currency hedge	**–**	**–**	**–**
Total at 31 December 2021	**(10)**	**(9)**	**–**

	2020		
	Change in fair value used for calculating hedge ineffectiveness $million	Cash flow hedge reserve $million	Cumulative balance in the cash flow hedge reserve from de-designated hedge relationships $million
Customer accounts	19	(19)	–
Debt securities and other eligible bills	1	–	–
Loans and advances to customers	(22)	9	2
Forecast cashflow currency hedge	(14)	21	–
Intragroup lending currency hedge	(46)	1	–
Total at 31 December 2020	(62)	12	2

Impact of cash flow hedges on profit and loss and other comprehensive income

	2021 Income/ (expense) $million	2020 Income/ (expense) $million
Cash flow hedge reserve balance as at 1 January	**5**	(11)
Losses recognised in other comprehensive income on effective portion of changes in fair value of hedging instruments	**(35)**	(9)
Gains reclassified to income statement when hedged item affected net profit	**14**	9
Taxation credit relating to cash flow hedges	**4**	16
Cash flow hedge reserve balance as at 31 December	**(12)**	5

13. Derivative financial instruments continued

Hedging instruments and ineffectiveness

Company

	2021						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Gain/(loss) recognised in OCI $million	Ineffectiveness gain/(loss) recognised in net trading income $million	Amount reclassified from reserves to income $million
Interest rate risk							
Interest rate swaps	2,651	5	10	14	14	–	–
Currency risk							
Forward foreign exchange contract	72	2	–	2	2	–	–
Cross currency swaps	69	–	2	–	–	–	–
Total as at 31 December 2021	2,792	7	12	16	16	–	–

	2020						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Gain/(loss) recognised in OCI $million	Ineffectiveness gain/(loss) recognised in net trading income $million	Amount reclassified from reserves to income $million
Interest rate risk							
Interest rate swaps	541	–	21	(12)	(12)	–	–
Currency risk							
Forward foreign exchange contract	164	21	–	14	14	–	–
Cross currency swaps	278	–	12	40	40	–	–
Total as at 31 December 2020	983	21	33	42	42	–	–

Hedged items in cash flow hedges

	2021		
	Change in fair value used for calculating hedge ineffectiveness $million	Cash flow hedge reserve $million	Cumulative balance in the cash flow hedge reserve from de-designated hedge relationships $million
Customer accounts	(13)	(6)	–
Debt securities and other eligible bills	(2)	2	–
Loans and advances to customers	1	(1)	–
Forecast cashflow currency hedge	–	–	–
Intragroup lending currency hedge	–	–	–
Total at 31 December 2021	(14)	(5)	–

13. Derivative financial instruments continued

	2020		
	Change in fair value used for calculating hedge ineffectiveness $million	Cash flow hedge reserve $million	Cumulative balance in the cash flow hedge reserve from de-designated hedge relationships $million
Customer accounts	19	(19)	–
Debt securities and other eligible bills	–	–	–
Loans and advances to customers	–	–	–
Forecast cashflow currency hedge	(14)	21	–
Intragroup lending currency hedge	(46)	1	–
Total at 31 December 2020	(41)	3	–

Impact of cash flow hedges on profit and loss and other comprehensive income

	2021 Income/ (expense) $million	2020 Income/ (expense) $million
Cash flow hedge reserve balance as at 1 January	**(32)**	(27)
(Loss) recognised in other comprehensive income on effective portion of changes in fair value of hedging instruments	**(8)**	(23)
Gains reclassified to income statement when hedged item affected net profit	**–**	1
Taxation credit relating to cash flow hedges	**1**	17
Cash flow hedge reserve balance as at 31 December	**(39)**	(32)

Net investment hedges

Foreign currency exposures arise from investments in subsidiaries that have a different functional currency from that of the presentation currency of the Group. This risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries and the Group's presentation currency, which causes the value of the investment to vary.

The Group's policy is to hedge these exposures only when not doing so would be expected to have a significant impact on the regulatory ratios of the Group and its banking subsidiaries. The Group uses foreign exchange forwards to manage the effect of exchange rates on its net investments in foreign subsidiaries.

Hedging instruments and ineffectiveness

Group

	2021						
		Carrying amount					
	Notional $million	**Asset $million**	**Liability $million**	**Change in fair value used to calculate hedge ineffectiveness $million**	**Changes in the value of the hedging instrument recognised in OCI $million**	**Ineffectiveness recognised in profit or loss $million**	**Amount reclassified from reserves to income $million**
Derivative forward currency contracts[1]	**2,611**	**–**	**27**	**(31)**	**(31)**	**–**	**–**

	2020						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Changes in the value of the hedging instrument recognised in OCI $million	Ineffectiveness recognised in profit or loss $million	Amount reclassified from reserves to income $million
Derivative forward currency contracts[1]	685	–	31	(11)	(11)	–	–

1 These derivative forward currency contracts have a maturity of less than one year. The hedges are rolled on a periodic basis

13. Derivative financial instruments continued

Hedged items in net investment hedges

	2021		
	Change in the value used for calculating hedge ineffectiveness $million	Translation reserve $million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied $million
Net investments	31	(27)	–

	2020		
	Change in the value used for calculating hedge ineffectiveness $million	Translation reserve $million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied $million
Net investments	14	(14)	–

Impact of net investment hedges on other comprehensive income

	2021 Income/ (expense) $million	2020 Income/ (expense) $million
Losses recognised in other comprehensive income	(19)	(11)

Hedging instruments and ineffectiveness

Company

	2021						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Changes in the value of the hedging instrument recognised in OCI $million	Ineffectiveness recognised in profit or loss $million	Amount reclassified from reserves to income $million
Derivative forward currency contracts[1]	1,871	–	16	(19)	(19)	–	–

	2020						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Changes in the value of the hedging instrument recognised in OCI $million	Ineffectiveness recognised in profit or loss $million	Amount reclassified from reserves to income $million
Derivative forward currency contracts[1]	685	–	(31)	(11)	(11)	–	–

1 These derivative forward currency contracts have a maturity of less than one year. The hedges are rolled on a periodic basis

13. Derivative financial instruments continued

Hedged items in net investment hedges

	2021		
	Change in the value used for calculating hedge ineffectiveness $million	Translation reserve $million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied $million
Net investments	**19**	**(16)**	**–**

	2020		
	Change in the value used for calculating hedge ineffectiveness $million	Translation reserve $million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied $million
Net investments	11	(31)	–

Impact of net investment hedges on other comprehensive income

	2021 Income/ (expense) $million	2020 Income/ (expense) $million
Losses recognised in other comprehensive income	**(19)**	(11)

13. Derivative financial instruments continued

Maturity of hedging instruments

Group

Fair value hedges		Less than one month (2021)	More than one month and less than one year (2021)	One to five years (2021)	More than five years (2021)
Interest rate swap					
Notional	$million	2,415	5,465	33,921	11,820
Average fixed interest rate	USD	2.00%	0.61%	0.86%	1.41%
	EUR	–	0.12%	(0.09)%	(0.11)%
Cross currency swap					
Notional	$million	48	–	154	–
Average fixed interest rate (to USD)	GBP	4.35%	–	1.33%	–
	HKD	–	–	0.22%	–
Average exchange rate	GBP/USD	0.57	–	0.66	–
	HKD/USD	–	–	7.77	–
Cash flow hedges					
Interest rate swap					
Notional	$million	–	1,666	781	204
Average fixed interest rate	USD	–	0.08%	2.26%	1.26%
Cross currency swap					
Notional	$million	–	69	157	–
Average fixed interest rate	INO	–	3.85%	9.00%	–
Average exchange rate	INO/USD	–	68.85	72.66	–
Forward foreign exchange contracts					
Notional	$million	–	–	72	–
Average exchange rate	CLO/USD	–	–	868.10	–
Net investment hedges					
Foreign exchange derivatives					
Notional	$million	673	1,938	–	–
Average exchange rate	INR[1]/USD	76.17	–	–	–
	SGD/USD	–	1.37	–	–
	AED/USD	–	3.67	–	–

1 Offshore currency

13. Derivative financial instruments continued

Fair value hedges		2020 Less than one month	2020 More than one month and less than one year	2020 One to five years	2020 More than five years
Interest rate swap					
Notional	$million	1,154	9,273	26,549	6,847
Average fixed interest rate	USD	1.41%	1.15%	1.29%	1.82%
	EUR	–	(0.52)%	(0.18)%	(0.08)%
Cross currency swap					
Notional	$million	–	55	96	–
Average fixed interest rate (to USD)	GBP	–	3.75%	5.26%	–
Average exchange rate	GBP/USD	–	0.66	0.61	–
Cash flow hedges					
Interest rate swap					
Notional	$million	–	551	890	–
Average fixed interest rate	USD	–	0.96%	1.38%	–
Cross currency swap					
Notional	$million	–	207	71	–
Average fixed interest rate	INR[1]	–	4.00%	3.85%	–
Average exchange rate	KRW[1]/USD	–	75.56	68.85	–
Forward foreign exchange contracts					
Notional	$million	27	137	–	–
Average exchange rate	GBP/USD	0.84	0.84	–	–
Net investment hedges					
Foreign exchange derivatives					
Notional	$million	685	–	–	–
Average exchange rate	INR[1]/USD	76.67	–	–	–

1 Offshore currency

13. Derivative financial instruments continued

Maturity of hedging instruments

Company

Fair value hedges		2021 Less than one month	2021 More than one month and less than one year	2021 One to five years	2021 More than five years
Interest rate swap					
Notional	$million	2,415	5,340	32,869	11,820
Average fixed interest rate	USD	2.00%	0.63%	0.85%	1.41%
	EUR	–	0.12%	(0.09)%	(0.11)%
Cross currency swap					
Notional	$million	48	–	154	–
Average fixed interest rate (to USD)	GBP	4.35%	–	1.33%	–
	HKD	–	–	0.22%	–
Average exchange rate	GBP/USD	0.57	–	0.66	–
	HKD/USD	–	–	7.77	–
Cash flow hedges					
Interest rate swap					
Notional	$million	–	1,666	781	204
Average fixed interest rate	USD	–	0.08%	2.26%	1.26%
Cross currency swap					
Notional	$million	–	69	–	–
Average fixed interest rate	INO	–	3.85%	–	–
Average exchange rate	INO/USD	–	68.85	–	–
Forward foreign exchange contracts					
Notional	$million	–	–	72	–
Average exchange rate	CLO/USD	–	–	868.10	–
Net investment hedges					
Foreign exchange derivatives					
Notional	$million	673	1,198	–	–
Average exchange rate	INR[1]/USD	76.17	–	–	–
	AED/USD	–	3.67	–	–

1 Offshore currency

13. Derivative financial instruments continued

Fair value hedges		2020 Less than one month	2020 More than one month and less than one year	2020 One to five years	2020 More than five years
Interest rate swap					
Notional	$million	1,150	8,750	25,109	6,824
Average fixed interest rate	USD	1.41%	1.14%	1.25%	1.82%
	EUR	–	–	(0.18)%	(0.08)%
Cross currency swap					
Notional	$million	–	55	96	–
Average fixed interest rate (to USD)	GBP	–	3.75%	5.26%	–
Average exchange rate	GBP/USD	–	0.66	0.61	–
Cash flow hedges					
Interest rate swap					
Notional	$million	–	251	290	–
Average fixed interest rate	GBP	–	0.45%	–	–
	USD	–	1.02%	2.26%	–
Cross currency swap					
Notional	$million	–	207	71	–
Average fixed interest rate	INO	–	4.00%	3.85%	–
Average exchange rate	INO/USD	–	75.56	68.85	–
Forward foreign exchange contracts					
Notional	$million	27	137	–	–
Average exchange rate	GBP/USD	0.84	0.84	–	–
Net investment hedges					
Foreign exchange derivatives					
Notional	$million	685	–	–	–
Average exchange rate	INR[1]/USD	76.67	–	–	–

1 Offshore currency

13. Derivative financial instruments continued

Interest rate benchmark reform

The Group applies the Phase 1 'Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7' which allow the Group to assume that the interest rate benchmark on which cash flows for the hedged item and/or hedging instrument are based is are altered as a result of IBOR reform for the following activities:

- Prospective hedge assessment
- Determining whether a cash flow or forecast transaction for a cash flow hedge is highly probable. However, the Group otherwise assesses whether the cash flows are considered highly probable
- Determining when cumulative balances in the cash flow hedge reserve from de-designated hedges should be recycled to the income statement

The Group will not de-designate a hedge relationship of a benchmark in scope of IBOR reform if the retrospective hedge result is outside the required 80-125% range, but the hedge passes the prospective assessment. Any hedge ineffectiveness continues to be recorded in net trading income.

For hedges of non-contractually specified benchmark portions of an interest rate (such as fair value hedges of interest rate risk on fixed rate debt instruments) the Group only assesses whether the designated benchmark is separately identifiable at hedge inception. The choice of designated benchmark is not revisited for existing hedge relationships

In applying these amendments the Group has made the following key assumptions for the period end, to be reviewed on an ongoing basis:

- The interest rate benchmarks applicable to the Group that are in scope of the IFRS amendments are all LIBOR's, EONIA, Singapore Swap Offer Rate (SGD SOR) and Thai Baht Interest Rate fixing (THB FIX)
- EURIBOR is not in scope of the IFRS amendments because its revised methodology incorporates market transaction data, hence the benchmark is expected to continue to exist in future reporting periods
- The Group assumes that the uncertainty arising from USD LIBOR will be present until 30 June 2023, at which time the amendments to IFRS no longer apply

As at 31 December 2021, the following notional principal amounts of derivative instruments designated in fair value or cash flow hedge accounting relationships were linked to IBOR reference rates:

Group

	Fair value hedges $million	Cash flow hedges $million	Total $million	Weighted average exposure $million
Interest rate swaps				
USD LIBOR	32,543	753	33,296	3.5
GBP LIBOR	47	–	47	0.1
JPY LIBOR	463	–	463	0.1
	33,053	753	33,806	3.4
Cross currency swaps				
USD LIBOR vs Fixed rate foreign currency	202	–	202	1.9
Total notional of hedging instruments in scope of IFRS amendments as at 31 December 2021	33,255	753	34,008	3.4

13. Derivative financial instruments continued

	Fair value hedges $million	Cash flow hedges $million	Total $million	Weighted average exposure $million
Interest rate swaps				
USD LIBOR	27,542	1,195	28,737	2.6
GBP LIBOR	352	89	441	1.7
JPY LIBOR	1,707	–	1,707	3.4
SGD SOR	483	–	483	1.2
	30,084	1,284	31,368	2.6
Cross currency swaps				
USD LIBOR vs Fixed rate foreign currency	151	–	151	1.1
Total notional of hedging instruments in scope of IFRS amendments as at 31 December 2020	30,235	1,284	31,519	2.6

Company

	Fair value hedges $million	**Cash flow hedges $million**	**Total $million**	**Weighted average exposure $million**
Interest rate swaps				
USD LIBOR	**31,520**	**753**	**32,273**	**3.5**
GBP LIBOR	**47**	**–**	**47**	**0.1**
JPY LIBOR	**463**	**–**	**463**	**0.1**
	32,030	**753**	**32,783**	**3.4**
Cross currency swaps				
USD LIBOR vs Fixed rate foreign currency	**202**	**–**	**202**	**1.9**
Total notional of hedging instruments in scope of IFRS amendments as at 31 December 2021	**32,232**	**753**	**32,985**	**3.4**

	Fair value hedges $million	Cash flow hedges $million	Total $million	Weighted average exposure $million
Interest rate swaps				
USD LIBOR	26,289	295	26,584	2.7
GBP LIBOR	352	89	441	1.7
JPY LIBOR	1,707	–	1,707	3.4
	28,348	384	28,732	2.7
Cross currency swaps				
USD LIBOR vs Fixed rate foreign currency	151	–	151	1.8
Total notional of hedging instruments in scope of IFRS amendments as at 31 December 2020	28,499	384	28,883	2.7

The Group's primary exposure is to USD LIBOR due to the extent of fixed rate debt security assets and issued notes denominated in USD that are designated in fair value hedge relationships. Where fixed rate instruments are in other currencies, cross currency swaps are used to achieve an equivalent floating USD exposure.

Exposures in GBP LIBOR and JPY LIBOR are short-dated basis swaps created per the LCH's methodology for converting derivatives to alternative benchmark rates. Under this methodology, if an interest rate swap referencing either of these benchmarks would have had a fixing between its conversion date and 31 December 2021, the original swap is replaced with a RFR swap of the same maturity and a LIBOR versus RFR basis swap that matures at the end of the last LIBOR fixing period set before 31 December 2021. This replacement is treated as continuation of the original LIBOR swap as the new bookings do not alter or amend the legal rights and obligations under the original derivative. The Group has applied the Phase 2 amendments to IAS 39 to redefine the description of the hedging instrument and hedged risk to reference the alternative benchmark rate in order to continue these hedge relationships.

14. Loans and advances to banks and customers

Accounting policy

Refer to Note 12 Financial instruments for the relevant accounting policy

	Group		Company	
	2021 $million	2020 $million	**2021 $million**	2020 $million
Loans and advances to banks	**30,014**	27,679	**16,129**	15,003
Expected credit loss	**(15)**	(13)	**(12)**	(6)
	29,999	27,666	**16,117**	14,997
Loans and advances to customers	**149,672**	146,778	**74,574**	77,136
Expected credit loss	**(4,873)**	(5,917)	**(3,413)**	(4,167)
	144,799	140,861	**71,161**	72,969
Total loans and advances to banks and customers	**174,798**	168,527	**87,278**	87,966

Analysis of loans and advances to customers by client segments and related impairment provisions as set out within the Risk review and Capital review (page 228).

15. Reverse repurchase and repurchase agreements including other similar lending and borrowing

Accounting policy

The Group purchases securities (a reverse repurchase agreement – 'reverse repo') typically with financial institutions subject to a commitment to resell or return the securities at a predetermined price. These securities are not included in the balance sheet as the Group does not acquire the risks and rewards of ownership, however they are recorded off-balance sheet as collateral received. Consideration paid (or cash collateral provided) is accounted for as a loan asset at amortised cost, unless it is managed on a fair value basis or designated at fair value through profit or loss. In the majority of cases through the contractual terms of a reverse repo arrangement, the Group as the transferee of the security collateral has the right to sell or repledge the asset concerned.

The Group also sells securities (a repurchase agreement – 'repo') subject to a commitment to repurchase or redeem the securities at a predetermined price. The securities are retained on the balance sheet as the Group retains substantially all the risks and rewards of ownership and these securities are disclosed as pledged collateral. Consideration received (or cash collateral received) is accounted for as a financial liability at amortised cost, unless it is either mandatorily classified as fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

Financial assets are pledged as collateral as part of sales and repurchases, securities borrowing and securitisation transactions under terms that are usual and customary for such activities. The Group is obliged to return equivalent securities.

Repo and reverse repo transactions typically entitle the Group and its counterparties to have recourse to assets similar to those provided as collateral in the event of a default. Securities sold subject to repos, either by way of a Global Master Repurchase Agreement (GMRA), or through a securities sale and Total Return Swap (TRS) continue to be recognised on the balance sheet as the Group retains substantially the associated risks and rewards of the securities (the TRS is not recognised). The counterparty liability is included in deposits by banks or customer accounts, as appropriate. Assets sold under repurchase agreements are considered encumbered as the Group cannot pledge these to obtain funding.

15. Reverse repurchase and repurchase agreements including other similar lending and borrowing continued

Reverse repurchase agreements and other similar secured lending

Group

	2021 $million	2020 $million
Banks	19,664	19,014
Customers	64,042	47,521
	83,706	66,535
Of which:		
Fair value through profit or loss	78,986	62,807
Banks	18,708	18,205
Customers	60,278	44,602
Held at amortised cost	4,720	3,728
Banks	956	809
Customers	3,764	2,919

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:

	2021 $million	2020 $million
Securities and collateral received (at fair value)	113,892	98,525
Securities and collateral which can be repledged or sold (at fair value)	113,736	98,431
Amounts repledged/transferred to others for financing activities, to satisfy liabilities under sale and repurchase agreements (at fair value)	57,879	46,209

Company

	2021 $million	2020 $million
Banks	18,818	17,938
Customers	62,322	46,662
	81,140	64,600
Of which:		
Fair value through profit or loss	77,655	62,262
Banks	18,380	17,883
Customers	59,275	44,379
Held at amortised cost	3,485	2,338
Banks	438	55
Customers	3,047	2,283

Under reverse repurchase and securities borrowing arrangements, the Company obtains securities on terms which permit it to repledge or resell the securities to others. Amounts on such terms are:

	2021 $million	2020 $million
Securities and collateral received (at fair value)	110,558	96,113
Securities and collateral which can be repledged or sold (at fair value)	110,462	96,091
Amounts repledged/transferred to others for financing activities, to satisfy liabilities under sale and repurchase agreements (at fair value)	57,826	46,180

15. Reverse repurchase and repurchase agreements including other similar lending and borrowing continued

Repurchase agreements and other similar secured borrowing

Group

	2021 $million	2020 $million
Banks	5,092	5,824
Customers	56,540	41,555
	61,632	47,379
Of which:		
Fair value through profit or loss	61,307	47,359
Banks	4,768	5,804
Customers	56,539	41,555
Held at amortised cost	325	20
Banks	324	20
Customers	1	–

The tables below set out the financial assets provided as collateral for repurchase and other secured borrowing transactions:

Collateral pledged against repurchase agreements	2021 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	2,318	483	1,778	–	4,579
Off-balance sheet					
Repledged collateral received	–	–	–	57,879	57,879
At 31 December 2021	2,318	483	1,778	57,879	62,458

Collateral pledged against repurchase agreements	2020 Fair value through profit or loss $million	Fair value through other comprehensive income $million	Amortised cost $million	Off-balance sheet $million	Total $million
On-balance sheet					
Debt securities and other eligible bills	1,324	201	355	–	1,880
Off-balance sheet					
Repledged collateral received	–	–	–	46,209	46,209
At 31 December 2020	1,324	201	355	46,209	48,089

15. Reverse repurchase and repurchase agreements including other similar lending and borrowing continued

Company

	2021 $million	2020 $million
Banks	4,737	5,692
Customers	56,443	41,555
	61,180	47,247
Of which:		
Fair value through profit or loss	60,897	47,247
Banks	4,455	5,692
Customers	56,442	41,555
Held at amortised cost	283	–
Banks	282	–
Customers	1	–

The tables below set out the financial assets provided as collateral for repurchase and other secured borrowing transactions:

	2021				
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	2,085	318	1,776	–	4,179
Off-balance sheet					
Repledged collateral received	–	–	–	57,826	57,826
At 31 December 2021	2,085	318	1,776	57,826	62,005

	2020				
Collateral pledged against repurchase agreements	Fair value through profit or loss $million	Fair value through other comprehensive income $million	Amortised cost $million	Off-balance sheet $million	Total $million
On-balance sheet					
Debt securities and other eligible bills	1,222	201	355	–	1,778
Off-balance sheet					
Repledged collateral received	–	–	–	46,180	46,180
At 31 December 2020	1,222	201	355	46,180	47,958

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 267 to 268).

Significant accounting estimates and judgements

The carrying amount of goodwill is based on the application of judgements including the basis of goodwill impairment calculation assumptions. Judgement is also applied in determination of cash generating units.

Estimates include forecasts used for determining cash flows for CGUs and, the appropriate long term growth rates to use and discount rates which factor in country risk-free rates and applicable risk premiums. These estimates are periodically assessed for appropriateness. The Group undertakes an annual assessment to evaluate whether the carrying value of goodwill is impaired. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement and is subject to potential change over time.

Acquired intangibles

At the date of acquisition of a subsidiary or associate, intangible assets which are deemed separable and that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired. These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity, and are amortised on the basis of their expected useful lives (4 to 16 years). At each balance sheet date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Computer software

Acquired computer software licences are capitalised if the principles of development are met, on the basis of the costs incurred to acquire and bring to use the specific software. Internally generated software represents substantially all of the total software capitalised. Direct costs of the development of separately identifiable internally generated software are capitalised where it is probable that future economic benefits attributable to the asset will flow from its use (internally generated software). These costs include salaries and wages, materials, service providers and contractors, and directly attributable overheads. Costs incurred in the ongoing maintenance of software are expensed immediately when incurred. Internally generated software is amortised over each assets useful life to a maximum of a 10 year time period. On an annual basis software assets' residual values and useful lives are reviewed, including assessing for indicators of impairment. Indicators of impairment include loss of business relevance, obsolescence of asset, exit of the business to which the software relates, technological changes, change in use of the asset, reduction in useful life, plans to reduce usage or scope.

For capitalised software, judgement is required to determine which costs relate to research (and therefore expensed) and which costs relate to development (capitalised). Further judgement is required to determine the technical feasibility of completing the software such that it will be available for use. Estimates are used to determine how the software will generate probable future economic benefits, these estimates include; cost savings, income increases, balance sheet improvements, improved functionality or improved asset safeguarding.

16. Goodwill and intangible assets continued

Group

	2021				2020			
	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million
Cost								
At 1 January	1,408	132	3,017	4,557	1,828	137	2,738	4,703
Exchange translation differences	(29)	(4)	(58)	(91)	(17)	(5)	41	19
Additions	–	20	738	758	–	–	623	623
Impairment	–	–	–	–	(403)	–	–	(403)
Amounts written off	–	–	(128)	(128)	–	–	(385)	(385)
At 31 December	1,379	148	3,569	5,096	1,408	132	3,017	4,557
Provision for amortisation								
At 1 January	–	117	944	1,061	–	119	841	960
Exchange translation differences	–	(4)	(20)	(24)	–	(6)	10	4
Amortisation	–	5	339	344	–	4	409	413
Impairment charge	–	–	3	3	–	–	15	15
Amounts written off	–	–	(88)	(88)	–	–	(331)	(331)
At 31 December	–	118	1,178	1,296	–	117	944	1,061
Net book value	1,379	30	2,391	3,800	1,408	15	2,073	3,496

At 31 December 2021, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to $3,227 million (31 December 2020: $3,227million), of which $nil was recognised in 2021 (31 December 2020: $403).

Company

	2021				2020			
	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million
Cost								
At 1 January	79	32	2,647	2,758	344	33	2,509	2,886
Exchange translation differences	–	(2)	(48)	(50)	(8)	(1)	38	29
Additions	–	–	503	503	–	–	445	445
Impairment	–	–	–	–	(257)	–	–	(257)
Amounts written off	–	–	(105)	(105)	–	–	(345)	(345)
At 31 December	79	30	2,997	3,106	79	32	2,647	2,758
Provision for amortisation								
At 1 January	–	18	782	800	–	17	752	769
Exchange translation differences	–	(2)	(15)	(17)	–	(1)	10	9
Amortisation	–	2	271	273	–	2	322	324
Impairment charge	–	–	2	2	–	–	13	13
Amounts written off	–	–	(73)	(73)	–	–	(315)	(315)
At 31 December	–	18	967	985	–	18	782	800
Net book value	79	12	2,030	2,121	79	14	1,865	1,958

16. Goodwill and intangible assets continued

Software amortisation change in estimate

During the period the Group has reassessed the useful economic life for software assets to reflect the period over which the assets are expected to be available for use by the Group. As a result of this change in estimate, the Group has recorded a decrease in software amortisation of approximately $74 million for the year when compared to the previous estimate.

Goodwill

Outcome of impairment assessment

Change in cash- generating units (CGUs)

Goodwill is allocated to CGUs, which are considered the level at which goodwill is managed and which generate independent cash inflows. At year-end 2021, the Group had two global CGUs representing Corporate, Commercial & Institutional Banking (CCIB) and Private Banking (PB), along with 4 individual country CGUs representing Retail Banking (RB) for each country.

Following the changes in the Group's organisational structure as described in Note 2 – Operating Segments which has resulted in two new business segments, CCIB and CPBB, the CGUs have changed. Goodwill relating to CB ($198m), which was previously allocated to country CGUs, has been reallocated to the global CCIB CGU. The CB goodwill has been allocated on a relative value basis with reference to the ratio of RB and CB risk-weighted assets in the individual country at 1 January 2021.

The changes above require comparative periods to be restated.

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 2026. 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

	2021			2020		
Cash generating unit[1]	Goodwill $million	Pre tax Discount Rates per cent	Long-term forecast GDP growth rates per cent	Goodwill $million	Pre tax Discount Rates per cent	Long-term forecast GDP growth rates per cent
Country CGUs						
Africa & Middle East	76			81		
Pakistan	42	22.2	6.0	47	20.2	5.1
Bahrain	34	13.1	3.0	34	14.2	2.8
ASIA	290			295		
Singapore	280	11.6	2.4	285	12.0	3.0
Bangladesh	10	15.0	7.3	10	19.6	7.2
Global CGUs	1,013			1,032		
Global Private Banking	84	12.2	2.5	84	12.6	3.6
Global Corporate, Commercial & Institutional Banking	929	12.3	3.0	948	13.0	3.0
	1,379			1,408		

1 Following the Group's change in organisational structure, there has been an integration of segments (CIB and CB to CCIB and PB and RB to CPBB) and regions (Greater China & North Asia and ASEAN & South Asia to Asia). Prior periods have been restated

In the current year there are no CGUs that are sensitive to any individual movement on key estimates (cashflow, discount rate and GDP growth rate). This is primarily due to increased anticipated cash flows as economic uncertainty caused by the COVID-19 pandemic has abated and the change in CGUs as described above.

16. Goodwill and intangible assets continued

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[1]	2021 $million	2020 $million
Country CGUs		
Bahrain	**17**	17
Bangladesh	**6**	6
Global CGUs		
Global Corporate, Commercial & Institutional Banking	**56**	56
	79	79

1 Following the Group's change in organisational structure, there has been an integration of segments (CIB and CB to CCIB and PB and RB to CPBB) and regions (Greater China & North Asia and ASEAN & South Asia to Asia). Prior periods have been restated

Acquired intangibles

These primarily comprise those items recognised as part of the acquisitions of Union Bank (now amalgamated into Standard Chartered Bank (Pakistan) Limited), American Express Bank and ABSA's custody business in Africa.

The acquired intangibles are amortised over periods from four years to a maximum of 16 years. The constituents are as follows:

	Group		Company	
	2021 $million	2020 $million	2021 $million	2020 $million
Acquired intangibles comprise:				
Customer relationships	**3**	7	**3**	4
Licences	**27**	8	**9**	10
Net book value	**30**	15	**12**	14

17. Property, plant and equipment

Accounting policy

All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

At each balance sheet date the assets' residual values and useful lives are reviewed, and adjusted if appropriate, including assessing for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down to the recoverable amount. Gains and losses on disposals are included in the income statement.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land and buildings comprise mainly branches and offices. Freehold land is not depreciated although it is subject to impairment testing.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings — up to 50 years
- Leasehold improvements life of lease — up to 50 years
- Equipment and motor vehicles — three to 15 years
- Aircraft — up to 18 years
- Ships — up to 15 years

Where the Group is a lessee of a right-of-use asset, the leased assets are capitalised and included in Property, plant and equipment with a corresponding liability to the lessor recognised in Other liabilities, in accordance with the Group's leased assets accounting policy in Note 18.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Group

	2021				
	Premises $million	Equipment $million	Leased premises assets $million	Leased equipment assets $million	Total $million
Cost or valuation					
At 1 January	666	570	862	6	2,104
Exchange translation differences	(28)	(7)	(32)	2	(65)
Additions[1]	43	91	83	1	218
Disposals and fully depreciated assets written off[2]	(14)	(88)	(34)	(1)	(137)
Transfers to assets held for sale	(4)	–	–	–	(4)
As at 31 December	663	566	879	8	2,116
Depreciation					
Accumulated at 1 January	282	368	249	4	903
Exchange translation differences	(8)	(4)	(14)	–	(26)
Charge for the year	33	89	127	1	250
Impairment (release)/charge	–	–	39	–	39
Attributable to assets sold, transferred or written off[2]	(9)	(87)	(25)	–	(121)
Accumulated at 31 December	298	366	376	3	1,045
Net book amount at 31 December	365	200	503	3	1,071

1 Refer to the cash flow statement under cash flows from investing activities section for the purchase of property, plant and equipment during the year of $134 million on page 171

2 Disposals for property, plant and equipment during the year of $25 million in the cash flow statement would include the gains and losses incurred as part of other operating income (Note 6) on disposal of assets during the year and the net book value disposed

17. Property, plant and equipment continued

	2020				
	Premises $million	Equipment $million	Leased premises assets $million	Leased equipment assets $million	Total $million
Cost or valuation					
At 1 January	706	520	846	2	2,074
Exchange translation differences	(17)	(8)	(7)	2	(30)
Additions	18	90	60	2	170
Disposals and fully depreciated assets written off	(38)	(32)	(37)	–	(107)
Transfers to assets held for sale	(3)	–	–	–	(3)
As at 31 December	666	570	862	6	2,104
Depreciation					
Accumulated at 1 January	287	316	139	2	744
Exchange translation differences	(6)	(5)	(5)	–	(16)
Charge for the year	36	89	132	2	259
Attributable to assets sold, transferred or written off	(34)	(32)	(17)	–	(83)
Transfers to assets held for sale	(1)	–	–	–	(1)
Accumulated at 31 December	282	368	249	4	903
Net book amount at 31 December	384	202	613	2	1,201

1 Refer to the cash flow statement under cash flows from investing activities section for the purchase of property, plant and equipment during the year of $170 million on page 171

2 Disposals for property, plant and equipment during the year of $25 million in the cash flow statement would include the gains and losses incurred as part of other operating income (Note 6) on disposal of assets during the year and the net book value disposed

17. Property, plant and equipment continued

Company

	2021				
	Premises $million	Equipment $million	Leased premises assets $million	Leased equipment assets $million	Total $million
Cost or valuation					
At 1 January	313	262	576	1	1,152
Exchange translation differences	(10)	5	(2)	–	(7)
Additions[1]	17	50	39	–	106
Disposals, transfers and fully depreciated assets written off2	(6)	(8)	(17)	–	(31)
As at 31 December	314	309	596	1	1,220
Depreciation					
Accumulated at 1 January	137	140	166	1	444
Exchange translation differences	–	(2)	(5)	–	(7)
Charge for the year	15	51	77	–	143
Impairment (release)/charge	–	–	38	–	38
Attributable to assets sold, transferred or written off[2]	(2)	(7)	(16)	–	(25)
Accumulated at 31 December	150	182	260	1	593
Net book amount at 31 December	164	127	336	–	627

1 Refer to the cash flow statement under cash flows from investing activities section for the purchase of property, plant and equipment during the year of $67 million on page 171

2 Disposals for property, plant and equipment during the year of $6 million in the cash flow statement would include the gains and losses incurred as part of other operating income (Note 6) on disposal of assets during the year and the net book value disposed

	2020				
	Premises $million	Equipment $million	Leased premises assets $million	Leased equipment assets $million	Total $million
Cost or valuation					
At 1 January	322	241	590	1	1,154
Exchange translation differences	(9)	(1)	–	–	(10)
Additions	11	41	17	–	69
Disposals and fully depreciated assets written off	(11)	(19)	(31)	–	(61)
As at 31 December	313	262	576	1	1,152
Depreciation					
Accumulated at 1 January	130	113	96	1	340
Exchange translation differences	(3)	–	1	–	(2)
Charge for the year	17	46	82	–	145
Attributable to assets sold, transferred or written off	(7)	(19)	(13)	–	(39)
Accumulated at 31 December	137	140	166	1	444
Net book amount at 31 December	176	122	410	–	708

1 Refer to the cash flow statement under cash flows from investing activities section for the purchase of property, plant and equipment during the year of $69 million on page 171

2 Disposals for property, plant and equipment during the year of $20 million in the cash flow statement would include the gains and losses incurred as part of other operating income (Note 6) on disposal of assets during the year and the net book value disposed

18. Leased assets

Accounting policy

The Group assesses whether a contract is a lease in scope of this policy by determining whether the contract gives it the right to use a specified underlying physical asset for a lease term greater than 12 months, unless the underlying asset is of low value.

Where the Group is a lessee and the lease is deemed in scope, it recognises a liability equal to the present value of lease payments over the lease term, discounted using the incremental borrowing rate applicable in the economic environment of the lease. The liability is recognised in 'Other liabilities'. A corresponding right-of-use asset equal to the liability, adjusted for any lease payments made at or before the commencement date, is recognised in 'Property, plant and equipment'. The lease term includes any extension options contained in the contract that the Group is reasonably certain it will exercise.

The Group subsequently depreciates the right-of-use asset using the straight-line method over the lease term and measures the lease liability using the effective interest method. Depreciation on the asset is recognised in 'Depreciation and amortisation', and interest on the lease liability is recognised in 'Interest expense'.

If a leased premise, or a physically distinct portion of a premise such as an individual floor, is deemed by management to be surplus to the Group's needs and action has been taken to abandon the space before the lease expires, this is considered an indicator of impairment. An impairment loss is recognised if the right-of-use asset, or portion thereof, has a carrying value in excess of its value-in-use when taking into account factors such as the ability and likelihood of obtaining a subtenant.

The judgements in determining lease balances are the determination of whether the Group is reasonably certain that it will exercise extension options present in lease contracts. On initial recognition, the Group considers a range of characteristics such as premises function, regional trends and the term remaining on the lease to determine whether it is reasonably certain that a contractual right to extend a lease will be exercised. Where a change in assumption is confirmed by the local property management team, a remeasurement is performed in the Group-managed vendor system.

The estimates were the determination of incremental borrowing rates in the respective economic environments. The Group uses third party broker quotes to estimate its USD cost of senior unsecured borrowing, then uses cross currency swap pricing information to determine the equivalent cost of borrowing in other currencies. If it is not possible to estimate an incremental borrowing rate through this process, other proxies such as local government bond yields are used.

The Group primarily enters lease contracts that grant it the right to use premises such as office buildings and retail branches.

Existing lease liabilities may change in future periods due to changes in assumptions or decisions to exercise lease renewal or termination options, changes in payments due to renegotiations of market rental rates as permitted by those contracts and changes to payments due to rent being contractually linked to an inflation index. In general the re-measurement of a lease liability under these circumstances leads to an equal change to the right-of-use asset balance, with no immediate effect on the income statement.

The total cash outflow during the year for premises and equipment leases was $148 million for Group and $94 million for Company.

The total expense during the year in respect of leases with a term less than or equal to 12 months was less than $1 million for Group.

The right-of-use asset balances and depreciation charges are disclosed in Note 17. The lease liability balances are disclosed in Note 22 and the interest expense on lease liabilities is disclosed in Note 3.

Maturity analysis

The maturity profile for lease liabilities associated with leased premises and equipment assets is as follows:

Group

	2021				
	One year or less $million	**Between one year and two years $million**	**Between two years and five years $million**	**More than five years $million**	**Total $million**
Other liabilities – lease liabilities	**137**	**119**	**282**	**84**	**622**

	2020				
	One year or less $million	Between one year and two years $million	Between two years and five years $million	More than five years $million	Total $million
Other liabilities – lease liabilities	163	137	333	163	796

18. Leased assets continued

Company

	2021				
	One year or less $million	Between one year and two years $million	Between two years and five years $million	More than five years $million	Total $million
Other liabilities – lease liabilities	**92**	**88**	**225**	**40**	**445**

	2020				
	One year or less $million	Between one year and two years $million	Between two years and five years $million	More than five years $million	Total $million
Other liabilities – lease liabilities	89	85	238	99	511

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 and emissions certificates are fair valued with the fair value derived from observable spot or short-term futures prices from relevant exchanges.

Group

Other assets include:

	2021 $million	2020 $million
Financial assets held at amortised cost (Note 12):		
Cash collateral	**8,244**	10,940
Acceptances and endorsements	**3,047**	4,087
Unsettled trades and other financial assets	**10,990**	10,846
	22,281	25,873
Non-financial assets:		
Commodities and emissions certificates[1]	**9,265**	7,239
Other assets	**424**	278
	31,970	33,390

1 Commodities and emission certificates are carried at fair value less costs to sell, $5.7 billion are classified as Level 1 and $3.6 billion are classified as Level 2

Company

Other assets include:

	2021 $million	2020 $million
Financial assets held at amortised cost (Note 12):		
Cash collateral	**7,780**	10,385
Acceptances and endorsements	**2,329**	3,285
Unsettled trades and other financial assets	**9,751**	9,825
	19,860	23,495
Non-financial assets:		
Commodities and emissions certificates[1]	**5,475**	5,182
Other assets	**353**	219
	25,688	28,896

1 Commodities and emission certificates are carried at fair value less costs to sell, $1.9 billion are classified as Level 1 and $3.6 billion are 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, in these circumstances financial instruments continue to be measured per the requirements of IFRS 9 Financial Instruments. Refer to Note 12 Financial instruments for the relevant accounting policy.

Non-current assets are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when:

a) Their carrying amounts will be recovered principally through sale;

b) They are available for immediate sale in their present condition; and

c) Their sale is highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the assets are measured in accordance with the applicable accounting policies related to the asset or liability before reclassification as held for sale.

The assets below have been presented as held for sale following the approval of Group management and the transactions are expected to complete in 2021.

The financial assets reported below are classified under Level 1 $ nil million (31 December 2020: $nil million), Level 2 $ nil million (31 December 2020: $25 million) and Level 3 $95 million (31 December 2020: $63 million).

Group

Assets held for sale

	2021 $million	2020 $million
Financial assets held at fair value through profit or loss	43	5
Loans and advances to customers	20	5
Equity shares	23	–
Financial assets held at amortised cost	52	83
Loans and advances to customers	52	83
Debt securities held at amortised cost	–	–
Property, plant and equipment	3	4
Others	3	4
	98	92

Company

Assets held for sale

	2021 $million	2020 $million
Financial assets held at fair value through profit or loss	42	5
Loans and advances to customers	20	5
Equity shares	22	–
Financial assets held at amortised cost	49	83
Loans and advances to customers	49	83
Debt securities held at amortised cost	–	–
Property, plant and equipment	–	1
Others	–	1
	91	89

On the 20 May 2020 the Group completed the sale of its 44.56 per cent equity interest in PT Bank Permata Tbk to Bangkok Bank Public Company Limited for cash consideration of IDR 17 trillion ($1,072 million).

21. Debt securities in issue

Accounting policy

Refer to Note 12 Financial instruments for the relevant accounting policy.

Group

	2021			2020		
	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million
Debt securities in issue	22,498	13,562	36,060	19,360	9,996	29,356
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (Note 12)	–	4,360	4,360	–	4,360	4,360
Total debt securities in issue	22,498	17,922	40,420	19,360	14,356	33,716

Company

	2021			2020		
	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million
Debt securities in issue	21,799	12,027	33,826	19,350	8,311	27,661
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (Note 12)	–	4,086	4,086	–	4,203	4,203
Total debt securities in issue	21,799	16,113	37,912	19,350	12,514	31,864

In 2021, the Company issued a total of $3.1 billion senior notes for general business purposes of the Group as shown below:

Securities	**$million**
$1500 million callable fixed rate senior notes due 2025 (callable 2024)	1,500
$1000 million callable fixed rate senior notes due 2025 (callable 2024)	1,000
EUR 500 million callable fixed rate senior notes due 2029 (callable 2028)	569
Total Senior Notes issued	3,069

In 2020, the Company issued a total of $1.8 billion senior notes for general business purposes of the Group as shown below:

Securities	$million
EUR 750 million callable fixed rate senior notes due 2028 (callable 2027)	917
$500 million callable floating rate senior notes due 2023 (callable 2022)	500
$400 million callable fixed rate senior notes due 2023 (callable 2022)	400
Total Senior Notes issued	1,817

Where a debt instrument is callable, the issuer has the right to call.

22. Other liabilities

Accounting policy

Refer to Note 12 Financial instruments for the relevant accounting policy for financial liabilities, Note 18 Leased assets for the accounting policy for leases and Note 30 Share-based payments for the accounting policy for cash-settled share-based payments.

Group

	2021 $million	2020 $million
Financial liabilities held at amortised cost (Note 12)		
Acceptances and endorsements	**3,047**	4,087
Cash collateral	**7,757**	9,184
Property leases[1]	**611**	673
Equipment leases[1]	**6**	4
Unsettled trades and other financial liabilities[2]	**14,229**	15,552
	25,650	29,500
Non-financial liabilities		
Other liabilities	**363**	288
	26,013	29,788

Company

	2021 $million	2020 $million
Financial liabilities held at amortised cost (Note 12)		
Acceptances and endorsements	**2,329**	3,285
Cash collateral	**7,033**	8,581
Property leases[1]	**417**	450
Equipment leases[1]	**–**	–
Unsettled trades and other financial liabilities[2]	**10,346**	10,908
	20,125	23,224
Non-financial liabilities		
Other liabilities	**335**	210
	20,460	23,434

1 Other financial liabilities include the present value of lease liabilities, as required by IFRS 16 from 1 January 2019; refer to Note 18

2 Includes correction of fair value hedge accounting adjustment $81 million

23. Provisions for liabilities and charges

Accounting policy

The Group recognises a provision for a present legal or constructive obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably. Where a liability arises based on participation in a market at a specified date, the obligation is recognised in the financial statements on that date and is not accrued over the period.

Significant accounting estimates and judgements

The recognition and measurement of provisions for liabilities and charges requires significant judgement and the use of estimates about uncertain future conditions or events.

Estimates include the best estimate of the probability of outflow of economic resources, cost of settling a provision and timing of settlement. Judgements are required for inherently uncertain areas such as legal decisions (including external advice obtained), and outcome of regulator reviews.

23. Provisions for liabilities and charges continued

Group

	2021			2020		
	Provision for credit commitments $million	Other provisions $million	Total $million	Provision for credit commitments $million	Other provisions $million	Total $million
At 1 January	331	69	400	297	105	402
Exchange translation differences	8	(1)	7	(51)	(4)	(55)
Transfer	–	2	2	–	9	9
(Release)/charge against profit	(23)	30	7	88	(1)	87
Provisions utilised	–	(20)	(20)	(3)	(40)	(43)
At 31 December	316	80	396	331	69	400

Company

	2021			2020		
	Provision for credit commitments $million	Other provisions $million	Total $million	Provision for credit commitments $million	Other provisions $million	Total $million
At 1 January	294	42	336	410	88	498
Exchange translation differences	(9)	–	(9)	(51)	(2)	(53)
Transfer	–	1	1	–	2	2
(Release)/charge against profit	(40)	18	(22)	(65)	(16)	(81)
Provisions utilised	–	(8)	(8)	–	(30)	(30)
At 31 December	245	53	298	294	42	336

Provision for credit commitment comprises those undrawn contractually committed facilities where there is doubt as to the borrowers' ability to meet their repayment obligations.

Other provisions consist mainly of provisions for regulatory settlements and legal claims, the nature of which are described in Note 25. (page 279).

24. Contingent liabilities and commitments

Accounting policy

Financial guarantee contracts and loan commitments

The Group issues financial guarantee contracts and loan commitments in return for fees. Financial guarantee contracts and any loan commitments issued at below-market interest rates are initially recognised at their fair value as a financial liability, and subsequently measured at the higher of the initial value less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers and their expected credit loss provision. Loan commitments may be designated at fair value through profit or loss where that is the business model under which such contracts are held. Notional values of financial guarantee contracts and loan commitments are disclosed in the table below.

Financial guarantees, trade credits and irrevocable letters of credit are the notional values of contracts issued by the Group's Transaction Banking business for which an obligation to make a payment has not arisen at the reporting date. Transaction Banking will issue contracts to clients and counterparties of clients, whereby in the event the holder of the contract is not paid, the Group will reimburse the holder of the contract for the actual financial loss suffered. These contracts have various legal forms such as letters of credit, guarantee contracts and performance bonds. The contracts are issued to facilitate trade through export and import business, provide guarantees to financial institutions where the Group has a local presence, as well as guaranteeing project financing involving large construction projects undertaken by sovereigns and corporates. The contracts may contain performance clauses which require the counterparty performing services or providing goods to meet certain conditions before a right to payment is achieved, however the Group does not guarantee this performance. The Group will only guarantee the credit of the counterparty paying for the services or goods.

Commitments are where the Group has confirmed its intention to provide funds to a customer or on behalf of a customer under prespecified terms and conditions in the form of loans, overdrafts, future guarantees whether cancellable or not and the Group has not made payments at the balance sheet date; those instruments are included in these financial statements as commitments. Commitments and contingent liabilities are generally considered on demand as the Group may have to honour them, or the client may draw down at any time.

24. Contingent liabilities and commitments continued

Capital commitments are contractual commitments the Group has entered into to purchase non-financial assets.

The table below shows the contract or underlying principal amounts of unmatured off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

	Group		Company	
	2021 $million	2020 $million	2021 $million	2020 $million
Financial guarantees and trade credits				
Financial guarantees, trade and irrevocable letters of credit	49,235	45,418	37,465	36,142
	49,235	45,418	37,465	36,142
Commitments				
Undrawn formal standby facilities, credit lines and other commitments to lend				
One year and over	53,128	54,755	45,801	50,335
Less than one year	17,608	15,218	14,353	12,736
Unconditionally cancellable	29,950	28,909	6,524	6,819
	100,686	98,882	66,678	69,890
Capital commitments				
Contracted capital expenditure approved by the directors but not provided for in these accounts	8	6	–	–

The table below shows the contract or underlying principal amounts and risk-weighted amounts of unmatured Group off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

	Group		Company	
	2021 $million	2020 $million	2021 $million	2020 $million
Financial guarantees and trade credits (Group)				
Financial guarantees, trade and irrevocable letters of credit	2,120	2,117	7,542	4,176
	2,120	2,117	7,542	4,176
Commitments(Group)				
Undrawn commitments	5	37	261	356
	5	37	261	356

Please refer to Note 19 for further details. 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. These uncertainties also mean that it is not possible to give an aggregate estimate of contingent liabilities arising from such legal and regulatory matters.

The Group receives legal claims against it in a number of jurisdictions and is subject to regulatory and enforcement investigations and proceedings from time to time. Apart from the matters described below, the Group currently considers none of the ongoing claims, investigations or proceedings to be material. However, in light of the uncertainties involved in such matters there can be no assurance that the outcome of a particular matter or matters currently not considered to be material may not ultimately be material to the Group's results in a particular reporting period depending on, among other things, the amount of the loss resulting from the matter(s) and the results otherwise reported for such period.

Since 2014, the Group has been named as a defendant in a series of lawsuits that 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 or its affiliates) on behalf of plaintiffs who are, or are relatives of, victims of various terrorist attacks in Iraq and Afghanistan. The most recent lawsuit was filed in August 2021 and concerns terrorist attacks that occurred in Afghanistan between 2011 and 2016. The plaintiffs in each of these lawsuits have alleged that the defendant banks aided and abetted the unlawful conduct of U.S. sanctioned parties in breach of the U.S. Anti-Terrorism Act. While the courts have ruled in favour of the banks' motions to dismiss in five of these lawsuits, plaintiffs' have appealed or are expected to appeal against certain of these judgements. The remaining cases are at an early procedural stage and, except for the lawsuit filed in August 2021, have been stayed pending the outcomes of the appeals in the dismissed cases. None of these lawsuits have specified the amount of damages claimed.

In January 2020, a shareholder derivative complaint was filed by the City of Philadelphia in New York State Court against 45 current and former directors and senior officers of the Group. It is alleged that the individuals breached their duties to the Group and caused a waste of corporate assets by permitting the conduct that gave rise to the costs and losses to the Group related to legacy conduct and control issues. In March 2021, an amended complaint was served in which SCB and seven individuals were removed from the case. Standard Chartered PLC and Standard Chartered Holdings Limited remained as named "nominal defendants" in the complaint. In May 2021, Standard Chartered PLC filed a motion to dismiss the complaint. On 2 February 2022, the New York State Court ruled in favour of Standard Chartered PLC's motion to dismiss the complaint. The plaintiffs have a right of appeal.

Bernard Madoff's 2008 confession to running a Ponzi scheme through Bernard L. Madoff Investment Securities LLC (BMIS) gave rise to a number of lawsuits against the Group. BMIS and the Fairfield funds (which invested in BMIS) are in bankruptcy and liquidation, respectively. Between 2010 and 2012, five lawsuits were brought against the Group by the BMIS bankruptcy trustee and the Fairfield funds' liquidators, in each case seeking to recover funds paid to the Group's clients pursuant to redemption requests made prior to BMIS' bankruptcy filing. The total amount sought in these cases exceeds USD 300 million, excluding any pre-judgment interest that may be awarded. The four lawsuits commenced by the Fairfield funds' liquidators have been dismissed and the appeals of those dismissals by the funds' liquidators are ongoing. The lawsuit brought against the Group by the BMIS bankruptcy trustee had been stayed pending a ruling by the US Second Circuit Court of Appeals in related cases brought by the BMIS bankruptcy trustee against other defendants that had been dismissed. In August 2021, the US Court of Appeals issued its ruling in the related cases with the result that the BMIS bankruptcy trustee's lawsuit against the Group is no longer stayed and is now ongoing. While the Group continues to vigorously defend these lawsuits, there is a range of possible outcomes in this litigation.

Based on the facts currently known, it is not possible for the Group to predict the outcome of these lawsuits.

26. Subordinated liabilities and other borrowed funds

Accounting policy

Subordinated liabilities and other borrowed funds are classified as financial instruments. Refer to Note 12 Financial instruments for the accounting policy.

All subordinated liabilities are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle these debt instruments in certain circumstances as set out in the contractual agreements. Where a debt instrument is callable, the issuer has the right to call.

	2021 $million	2020 $million
Subordinated loan capital – issued by subsidiary undertakings		
$540 million floating rate subordinated notes due 2030 (callable 2025)[1]	540	540
	540	540
Subordinated loan capital – issued by the Company		
£200 million 7.75 per cent subordinated notes due (callable 2022)	48	52
$960 million floating rate subordinated notes due 2022	960	960
$700 million 8.0 per cent subordinated notes due 2031	418	454
$2 billion floating rate subordinated notes due 2023	2,000	2,000
$500 million floating rate subordinated notes due 2043	500	500
$2 billion floating rate subordinated notes due 2044 (callable 2039)	2,000	2,000
$250 million floating rate subordinated notes due 2048 (callable 2043)	250	250
$1 billion floating rate subordinated notes due 2029 (callable 2024)	1,000	1,000
$1.25 billion floating rate subordinated notes due 2032 (callable 2027)	1,250	1,250
$1 billion 3.516 per cent subordinated notes due 2030 (callable 2025)	956	1,066
£504 million floating subordinated debt 2043 (callable 2038)	682	688
$2 billion 5.3 per cent subordinated debt 2035 (callable 2030)	2,000	2,000
£527 million floating rate subordinated debt 2039 (callable 2034)	713	719
€1 billion 2.5 per cent subordinated debt 2030 (callable 2025)	1,137	1,223
	13,914	14,162
Primary capital floating rate notes		
$400 million floating rate undated subordinated notes	16	16
$300 million floating rate undated subordinated notes (Series 2)	69	69
$400 million floating rate undated subordinated notes (Series 3)	50	50
$200 million floating rate undated subordinated notes (Series 4)	26	26
£150 million floating rate undated subordinated notes	–	16
	161	177
Total for Group	14,615	14,879

1 Issued by Standard Chartered Bank (Singapore) Limited

	2021				
	USD $million	GBP $million	EUR $million	Others $million	Total $million
Fixed rate subordinated debt	3,374	48	1,137	–	4,559
Floating rate subordinated debt	8,661	1,395	–	–	10,056
Total	12,035	1,443	1,137	–	14,615

	2020				
	USD $million	GBP $million	EUR $million	Others $million	Total $million
Fixed rate subordinated debt	3,520	52	1,223	–	4,795
Floating rate subordinated debt	8,661	1,423	–	–	10,084
Total	12,181	1,475	1,223	–	14,879

Redemptions and repurchases during the year

Standard Chartered Bank exercised its right to redeem the remaining USD 16 million £ 150 million Undated Primary Capital Floating Rate Notes.

27. Share capital, other equity instruments and reserves

Accounting policy

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue available number of own equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Securities which carry a discretionary coupon and have no fixed maturity or redemption date are classified as other equity instruments. Interest payments on these securities are recognised, net of tax, as distributions from equity in the period in which they are paid.

Where the Company or other members of the consolidated Group purchase the Company's equity share capital, the consideration paid is deducted from the total shareholders' equity of the Group and/or of the Company as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity of the Group and/or the Company.

Group and Company

	Number of ordinary shares millions	Ordinary share capital[1] millions	Ordinary share premium millions	Preference share premium[2] millions	Total share capital and share premium millions	Other equity instruments millions
At 1 January 2020	19,024	19,024	296	1,500	20,820	5,000
Shares issued	300	300	–	–	300	–
Additional Tier 1 redemption	–	–	–	–	–	(2,000)
At 31 December 2020	**19,324**	**19,324**	**296**	**1,500**	**21,120**	**3,000**
Shares issued	**1,273**	**1,273**	**–**	**–**	**1,273**	**–**
Additional Tier 1 equity issuance	**–**	**–**	**–**	**–**	**–**	**2,750**
Additional Tier 1 redemption	**–**	**–**	**–**	**–**	**–**	**(1,001)**
At 31 December 2021	**20,597**	**20,597**	**296**	**1,500**	**22,393**	**4,749**

1 Issued and fully paid ordinary shares of $1 each

2 Includes preference share capital of $75,000

Ordinary share capital

The authorised share capital of the Company at 31 December 2021 was $26,789 million and TWD 1,225 million (31 December 2020: $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 50 million non-cumulative redeemable preference shares of TWD24.50 each.

The issued share capital of the Company at 31 December 2021 was $20,597 million (31 December 2020: $19,324 million) made up of: 20,597 million ordinary shares of $1 each.

The issued ordinary share capital of the Company increased by 1,273 million shares during the year. The Company has one class of ordinary shares, which carries no rights to fixed income. Subject to any special rights or restrictions as to voting attached to any shares in accordance with the Company's Royal Charter Bye-Laws and Rules, on a show of hands every member present at a general meeting by a representative or proxy shall have one vote. On a poll, every member holding shares or stock of less than the nominal amount of US$25 shall not have any vote, but every other member who is present in person or by proxy shall have votes in accordance with the following scale:

Nominal amount of Shares or Stock held	Number of Votes
US$25 or more but less than US$50	1 vote
US$50 or more but less than US$100	2 votes
US$100 or more but less than US$250	3 votes
US$250 or more but less than US$375	4 votes
US$375 or more but less than US$500	5 votes
US$500 or more but less than US$750	6 votes
US$750 or more but less than US$1,000	7 votes
US$1,000 or more but less than US$1,250	8 votes
US$1,250 or more but less than US$1,500	9 votes
US$1,500 or more	10 votes

27. Share capital, other equity instruments and reserves continued

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

The table provides details of outstanding Fixed Rate Resetting Perpetual Subordinated Contingent Convertible AT1 securities issued by Standard Chartered Bank. All issuances are made for general business purposes and to increase the regulatory capital base of the Group.

Issuance date	Nominal value	Interest rate[2]	Coupon payment dates[3]	First reset dates[4]
18 August 2016	USD 999 million[1]	7.50%	2 April, 2 October each year	2 April 2022
18 January 2017	USD 1,000 million	7.75%	2 April, 2 October each year	2 April 2023
14 January 2021	USD 1,250 million	4.75%	14 January, 14 July each year	14 July 2031
19 August 2021	USD 1,500 million	4.30%	19 February, 19 August each year	19 August 2028

1 During the period, the entity repurchased around USD 1,001 million of these securities via a tender offer

2 Interest rates for the period from (and including) the issue date to (but excluding) the first reset date

3 Interest payable semi-annually in arrears

4 Securities are resettable each date falling five years, or an integral multiple of five years, after the first reset date

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
- interest payments on these securities will be 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.

27. Share capital, other equity instruments and reserves continued

Reserves

The constituents of the reserves are summarised as follows:

- The capital reserve represents the exchange difference on redenomination of share capital and share premium from sterling to US dollars in 2001. The capital redemption reserve represents the nominal value of preference shares redeemed
- Own credit adjustment reserve represents the cumulative gains and losses on financial liabilities designated at fair value through profit or loss relating to own credit. Gains and losses on financial liabilities designated at fair value through profit or loss relating to own credit in the year have been taken through other comprehensive income into this reserve. On derecognition of applicable instruments, the balance of any OCA will not be recycled to the income statement, but will be transferred within equity to retained earnings
- Fair value through other comprehensive income (FVOCI) debt reserve represents the unrealised fair value gains and losses in respect of financial assets classified as FVOCI, net of expected credit losses and 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
- FVOCI equity reserve represents unrealised fair value gains and losses in respect of financial assets classified as FVOCI, net of taxation. Gains and losses are recorded in this reserve and never recycled to the income statement
- Cash flow hedge reserve represents the effective portion of the gains and losses on derivatives that meet the criteria for these types of hedges. Gains and losses are deferred in this reserve and are reclassified to the income statement when the underlying hedged item affects profit and loss or when a forecast transaction is no longer expected to occur
- Translation reserve represents the cumulative foreign exchange gains and losses on translation of the net investment of the Group in foreign operations. Since 1 January 2004, gains and losses are deferred to this reserve and are reclassified to the income statement when the underlying foreign operation is disposed. Gains and losses arising from derivatives used as hedges of net investments are netted against the foreign exchange gains and losses on translation of the net investment of the foreign operations
- Retained earnings represents profits and other comprehensive income earned by the Group and Company in the current and prior periods, together with the after tax increase relating to equity-settled share options, less dividend distributions and own shares held (treasury shares)

A substantial part of the Group's reserves is held in overseas subsidiary undertakings and branches, principally to support local operations or to comply with local regulations. The maintenance of local regulatory capital ratios could potentially restrict the amount of reserves which can be remitted. In addition, if these overseas reserves were to be remitted, further unprovided taxation liabilities might arise.

As at 31 December 2021, the distributable reserves of Standard Chartered Bank (the Company) were $5.5 billion (2020: $5.0 billion). These comprised of retained earnings. Distribution of reserves is subject to maintaining minimum capital requirements.

28. Non-controlling interests

Accounting policy

Non-controlling interests are measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

	$million
At 1 January 2020	1,289
Loss attributable to non-controlling interests	(3)
Profits attributable to non-controlling interests	47
Comprehensive income for the year	44
Distributions	(79)
At 31 December 2020	1,254
Loss attributable to non-controlling interests	**(25)**
Profits attributable to non-controlling interests	**29**
Comprehensive income for the year	**4**
Distributions	**(83)**
Other increases[1]	**73**
At 31 December 2021	**1,248**

1 Movements related to non-controlling interest from Trust Bank Singapore Limited ($70 million), Zodia Markets Holdings Limited ($3 million)

29. Retirement benefit obligations

Accounting policy

The Bank Group operates pension and other post-retirement benefit plans around the world, which can be categorised into defined contribution plans and defined benefit plans. For defined contribution plans, the Bank Group pays contributions to publicly or privately administered pension plans on a statutory or contractual basis, and such amounts are charged to operating expenses. The Bank Group has no further payment obligations once the contributions have been paid.

For funded defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. For unfunded defined benefit plans the liability recognised at the balance sheet date is the present value of the defined benefit obligation.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit method.

Actuarial gains and losses that arise are recognised in shareholders' equity and presented in the statement of other comprehensive income in the period they arise. The Bank Group determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense, the cost of the accrual of new benefits, benefit enhancements (or reductions) and administration expenses met directly from plan assets are recognised in the income statement in the period in which they were incurred.

Significant accounting estimates and judgements

There are many factors that affect the measurement of the retirement benefit obligations. This measurement requires the use of estimates, such as discount rates, inflation, pension increases, salary increases, and life expectancies which are inherently uncertain.

Discount rates are determined by reference to market yields at the end of the reporting period on high-quality corporate bonds (or, in countries where there is no deep market in such bonds, government bonds) of a currency and term consistent with the currency and term of the post-employment benefit obligations. This is the approach adopted across our geographies. Where there are inflation-linked bonds available (e.g. United Kingdom and the eurozone), the Bank Group derives inflation based on the market on those bonds, with the market yield adjusted in respect of the United Kingdom to take account of the fact that liabilities are linked to Consumer Price Index inflation, whereas the reference bonds are linked to Retail Price Index inflation. Where no inflation-linked bonds exist, we determine inflation assumptions based on long-term forecasts and short-term inflation data. Salary growth assumptions reflect the Bank Group's long-term expectations, taking into account future business plans and macroeconomic data (primarily expected future long-term inflation). Demographic assumptions, including mortality and turnover rates, are typically set based on the assumptions used in the most recent actuarial funding valuation, and will generally use industry standard tables, adjusted where appropriate to reflect recent historic experience and/or future expectations. The sensitivity of the liabilities to changes in these assumptions is shown in the Note below.

29. Retirement benefit obligations continued

Group

Retirement benefit obligations comprise:

	2021 $million	2020 $million
Defined benefit plans obligation	187	411
Defined contribution plans obligation	17	8
Net obligation	**204**	419

Retirement benefit charge comprises:

	2021 $million	2020 $million
Defined benefit plans	31	46
Defined contribution plans	243	217
Charge against profit (Note 7)	**274**	263

The Bank Group operates over 50 defined benefit plans across its geographies, many of which are closed to new entrants who now join defined contribution arrangements. The aim of all these plans is, as part of the Group's commitment to financial wellbeing for employees, to give employees the opportunity to save appropriately for retirement in a way that is consistent with local regulations, taxation requirements and market conditions. The defined benefit plans expose the Group to currency risk, interest rate risk, investment risk and actuarial risks such as longevity risk.

The material holdings of government and corporate bonds shown on page 287 partially hedge movements in the liabilities resulting from interest rate and inflation changes. Setting aside movements from other drivers such as currency fluctuation, the increases in discount rates in most geographies over 2021 have led to lower liabilities. These have been partly offset by decreases in the value of bonds held and good stock market performance has led to assets broadly holding level over the year resulting in a material fall in the person deficit reported. These movements are shown as actuarial gains in the table 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 2021.

UK Fund

The Standard Chartered Pension Fund (the 'UK Fund') is the Bank Group's largest pension plan, representing 70 per cent (31 December 2020: 71 per cent) of total pension liabilities. The UK Fund is set up under a trust that is legally separate from the Bank (its formal sponsor) and, as required by UK legislation, at least one-third of the trustee directors are nominated by members; the remainder are appointed by the Bank. The trustee directors have a fiduciary duty to members and are responsible for governing the UK Fund in accordance with its Trust Deed and Rules.

The UK Fund was closed to new entrants from 1 July 1998 and closed to the accrual of new benefits from 1 April 2018. All employees are now offered membership of a defined contribution plan.

The financial position of the UK Fund is regularly assessed by an independent qualified actuary. The funding valuation as at 31 December 2020 was completed in December 2021 by the then Scheme Actuary, T Kripps of Willis Towers Watson, using assumptions different from those on page 286, and agreed with the UK Fund trustee. It showed that the UK Fund was 92% funded at that date, revealing a past service deficit of $172 million (£127 million).

To repair the deficit, three annual cash payments of $45 million (£32.9 million) were agreed, with the first of these paid in December 2021, and two further instalments to be paid in December 2022 and December 2023. The agreement allows that if the funding position improves to being at or near a surplus in future years, the payments due in December 2022 and 2023 will be reduced or eliminated. In addition, an additional payment of $68 million (£50 million) has been made to top up the existing escrow account of $149 million (£110 million) which exists to provide security for future contributions.

The Bank Group has not recognised any additional liability under IFRIC 14 as the Bank has control of any pension surplus under the Trust Deed and Rules.

29. Retirement benefit obligations continued

Overseas plans

The principal overseas defined benefit arrangements operated by the Bank Group are in Germany, India, Jersey, United Arab Emirates (UAE) and the United States of America (US). Plans in Germany, India and UAE remain open for accrual of future benefits.

Key assumptions

The principal financial assumptions used at 31 December 2021 were:

	Funded plans			
	UK Fund		Overseas Plans[1]	
	2021 %	2020 %	**2021 %**	2020 %
Discount rate	**2.0**	1.4	**1.0 – 6.7**	0.6 – 6.3
Price Inflation	**2.6**	2.2	**2.0 – 4.0**	1.4 – 4.0
Salary increases	**n/a**	n/a	**3.5 – 7.0**	2.9 – 7.0
Pension increases	**2.5**	2.1	**0.0 – 3.1**	0.0 – 2.7

1 The range of assumptions shown is for the main defined benefit overseas plans in Germany, India, Jersey, and the US. These comprise around 75 per cent of the total liabilities of overseas defined benefit plans

	Unfunded plans			
	US post-retirement medical		Other[1]	
	2021 %	2020 %	**2021 %**	2020 %
Discount rate	**3.1**	2.8	**2.0 – 6.7**	1.4 – 6.3
Price inflation	**2.5**	2.5	**2.0 – 4.0**	2.0 – 4.0
Salary increases	**N/A**	n/a	**3.7 – 7.0**	3.5 – 7.0
Pension increases	**N/A**	n/a	**0.0 – 2.6**	0.0 – 2.1
Post-retirement medical rate	**7% in 2021 reducing by 0.5% per annum to 5% in 2025**	7% in 2020 reducing by 0.5% per annum to 5% in 2024	**n/a**	n/a

1 The range of assumptions shown is for the main unfunded plans in Bahrain, India, Thailand, UAE and the UK. They comprise around 85 per cent of the total liabilities of unfunded plans

The principal non-financial assumptions are those made for UK life expectancy. The assumptions for life expectancy for the UK Fund are that a male member currently aged 60 will live for 27 years (31 December 2020: 27 years) and a female member for 30 years (31 December 2020: 30 years) and a male member currently aged 40 will live for 29 years (31 December 2020: 29 years) and a female member for 31 years (31 December 2020: 31 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 $65 million for the UK Fund (31 December 2020: $75 million) and $25 million for the other plans (31 December 2020: $30 million)
- If the rate of inflation increased by 25 basis points, the liability allowing for the consequent impact on pension and salary increases, would increase by approximately $45 million for the UK Fund (31 December 2020 $50 million) and $10 million for the other plans (31 December 2020: $15 million)
- If the rate salaries increase compared with inflation increased by 25 basis points, the liability would increase by nil for the UK Fund (31 December 2020: $nil million) and approximately $5 million for the other plans (31 December 2020: $10 million)
- If longevity expectations increased by one year, the liability would increase by approximately $80 million for the UK Fund (31 December 2020: $70 million) and $15 million for the other plans (31 December 2020: $20 million)

Although this analysis does not take account of the full distribution of cash flows expected under the UK Fund, it does provide an approximation of the sensitivity to the main assumptions. While changes in other assumptions would also have an impact, the effect would not be as significant.

29. Retirement benefit obligations continued

Profile of plan obligations

	Funded plans		Unfunded plans	
	UK Fund	Overseas	Post-retirement medical	Other
Duration of the defined benefit obligation (in years)	**15**	**13**	**9**	**11**
(Duration of the defined benefit obligation – 2020)	15	14	10	11
Benefits expected to be paid from plans				
Benefits expected to be paid during 2022	86	34	1	15
Benefits expected to be paid during 2023	88	31	1	14
Benefits expected to be paid during 2024	90	32	1	13
Benefits expected to be paid during 2025	93	33	1	14
Benefits expected to be paid during 2026	95	33	1	14
Benefits expected to be paid during 2027 to 2031	514	204	5	68

Fund values:

The fair value of assets and present value of liabilities of the plans attributable to defined benefit members were:

	2021				2020			
	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	**145**	**149**	**N/A**	**N/A**	118	159	N/A	N/A
Government bonds	**695**	**150**	**N/A**	**N/A**	844	120	N/A	N/A
Corporate bonds	**610**	**119**	**N/A**	**N/A**	508	87	N/A	N/A
Absolute Return Fund	**91**	**–**	**N/A**	**N/A**	94	–	N/A	N/A
Hedge funds[1]	**19**	**–**	**N/A**	**N/A**	89	–	N/A	N/A
Insurance linked funds[1]	**11**	**–**	**N/A**	**N/A**	36	–	N/A	N/A
Property	**127**	**11**	**N/A**	**N/A**	74	9	N/A	N/A
Derivatives	**10**	**–**	**N/A**	**N/A**	20	4	N/A	N/A
Cash and equivalents	**108**	**83**	**N/A**	**N/A**	141	77	N/A	N/A
Others[1]	**94**	**2**	**N/A**	**N/A**	10	9	N/A	N/A
Total fair value of assets[2]	**1,910**	**514**	**N/A**	**N/A**	1,934	465	N/A	N/A
Present value of liabilities	**(1,822)**	**(560)**	**(13)**	**(215)**	(1,982)	(573)	(16)	(239)
Net pension plan obligation	**88**	**(46)**	**(13)**	**(215)**	(48)	(108)	(16)	(239)

1 Unquoted assets

2 Self-investment is monitored closely and is less than $1 million of Standard Chartered equities and bonds for 2021 (31 December 2020: <$1 million). Self-investment is only allowed where it is not practical to exclude it – for example through investment in index-tracking funds where the Bank Group is a constituent of the relevant index

29. Retirement benefit obligations continued

The pension cost for defined benefit plans was:

2021	Funded plans: UK Fund $million	Funded plans: Overseas plans $million	Unfunded plans: Post-retirement medical $million	Unfunded plans: Other $million	Total $million
Current service cost[1]	–	21	–	8	29
Past service cost and curtailments[2]	–	(1)	–	(4)	(5)
Interest income on pension plan assets	(26)	(19)	–	–	(45)
Interest on pension plan liabilities	27	21	–	4	52
Total charge to profit before deduction of tax	1	22	–	8	31
Net (gains)/losses on plan assets[3]	(6)	(34)	–	–	(40)
(Gains)/losses on liabilities	(87)	(18)	(2)	(10)	(117)
Total (gains)/losses recognised directly in statement of comprehensive income before tax	(93)	(52)	(2)	(10)	(157)
Deferred taxation	–	15	–	–	15
Total (gains)/losses after tax	(93)	(37)	(2)	(10)	(142)

1 Includes administrative expenses paid out of plan assets of $1 million (31 December 2020: $2 million)

2 Past service costs arose due to plan amendments in India, Kenya and Sri Lanka

3 The actual return on the UK Fund assets was a gain of $32 million and on overseas plan assets was a gain of $53 million

The pension cost for defined benefit plans was:

2020	Funded plans: UK Fund $million	Funded plans: Overseas plans $million	Unfunded plans: Post-retirement medical $million	Unfunded plans: Other $million	Total $million
Current service cost[1]	–	15	–	6	21
Past service cost and curtailments[2]	–	–	–	14	14
Interest income on pension plan assets	(32)	(18)	–	–	(50)
Interest on pension plan liabilities	35	20	1	5	61
Total charge to profit before deduction of tax	3	17	1	25	46
Net (gains)/losses on plan assets[3]	(160)	(42)	–	–	(202)
(Gains)/losses on liabilities	131	68	(1)	21	219
Total (gains)/losses recognised directly in statement of comprehensive income before tax	(29)	26	(1)	21	17
Deferred taxation	–	(10)	–	–	(10)
Total (gains)/losses after tax	(29)	16	(1)	21	7

1 Includes administrative expenses paid out of plan assets of $2 million (31 December 2019: $2 million)

2 Past service costs arose primarily due to recognition of a legacy UK long term sick plan which has been clarified as technically representing a defined benefit

3 The actual return on the UK Fund assets was a gain of $192 million and on overseas plan assets was a loss of $60 million

29. Retirement benefit obligations continued

Movement in the defined benefit pension plans and post-retirement medical deficit during the year comprise:

	Funded plans		Unfunded plans		
	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million	Total $million
Surplus/(deficit) at 1 January 2021	**(48)**	**(108)**	**(16)**	**(239)**	**(411)**
Contributions	**45**	**31**	**1**	**17**	**94**
Current service cost	**–**	**(21)**	**–**	**(8)**	**(29)**
Past service cost and curtailments	**–**	**1**	**–**	**4**	**5**
Settlement costs and transfers impact	**–**	**–**	**–**	**–**	**–**
Net interest on the net defined benefit asset/liability	**(1)**	**(2)**	**–**	**(4)**	**(7)**
Actuarial (losses)/gains	**93**	**52**	**2**	**10**	**157**
Exchange rate adjustment	**(1)**	**–**	**–**	**5**	**4**
Surplus/deficit at 31 December 2021[1]	**88**	**(47)**	**(13)**	**(215)**	**(187)**

1 The deficit total of $187 million is made up of plans in deficit of $305 million (31 December 2020: $411 million) net of plans in surplus with assets totalling $118 million (31 December 2020: $14 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
Surplus/deficit at 1 January 2020	(117)	(79)	(16)	(205)	(417)
Contributions	44	27	–	16	87
Current service cost	–	(15)	–	(6)	(21)
Past service cost and curtailments	–	–	–	(14)	(14)
Settlement costs and transfers impact	–	(5)	–	–	(5)
Net interest on the net defined benefit asset/liability	(3)	(2)	(1)	(5)	(11)
Actuarial (losses)/gains	29	(26)	1	(21)	(17)
Exchange rate adjustment	(1)	(8)	–	(4)	(13)
Surplus/deficit at 31 December 2020[1]	(48)	(108)	(16)	(239)	(411)

1 The deficit total of $411 million is made up of plans in deficit of $425 million (31 December 2019: $429 million) net of plans in surplus with assets totalling $14 million (31 December 2019: $12 million)

29. Retirement benefit obligations continued

The Bank Group's expected contribution to its defined benefit pension plans in 2020 is $88 million.

	2021			2020		
	Assets $million	Obligations $million	Total $million	Assets $million	Obligations $million	Total $million
At 1 January	2,399	(2,810)	(411)	2,121	(2,538)	(417)
Contributions[1]	95	(1)	94	87	–	87
Current service cost[2]	–	(29)	(29)	–	(21)	(21)
Past service cost and curtailments	–	5	5	–	(14)	(14)
Settlement costs & transfers[3]	10	(10)	–	18	(23)	(5)
Interest cost on pension plan liabilities	–	(52)	(52)	–	(61)	(61)
Interest income on pension plan assets	45	–	45	50	–	50
Benefits paid out[2]	(142)	142	–	(128)	128	–
Actuarial (losses)/gains[4]	40	117	157	202	(219)	(17)
Exchange rate adjustment	(23)	27	4	49	(62)	(13)
At 31 December	**2,424**	**(2,611)**	**(187)**	2,399	(2,810)	(411)

1 Includes employee contribution of $1 million (31 December 2020: nil)

2 Includes administrative expenses paid out of plan assets of $1 million (31 December 2019: $2 million)

3 Impact of transfers relates to a defined contribution plan in Zambia which was included within IAS 19 Disclosures for the first time this year due to the existence of investment guarantees which constitute a defined benefit under IAS 19. Previously, this plan was accounted for as a pure defined contribution plan.

4 Actuarial gain on obligation comprises of $118 million gain (31 December 2020: $235 million loss) from financial assumption changes, $5 million gain (31 December 2020: $21 million gain) from demographic assumption changes and $5 million loss (31 December 2020: $5 million loss) from experience.

Company

Retirement benefit obligations comprise:

	2021 $million	2020 $million
Defined benefit plans obligation	152	367
Defined contribution plans obligation	4	–
Net obligation	**156**	367

Retirement benefit charge comprises:

	2021 $million	2020 $million
Defined benefit plans	20	37
Defined contribution plans	116	104
Charge against profit	**136**	141

UK Fund

See the Bank Group section on the UK Fund in this note (page 285). There are no differences between Bank Group and Company in respect of the Fund.

Overseas Plans

The principal overseas defined benefit arrangements operated by the Company are in Germany, Jersey, India, United Arab Emirates (UAE) and the United States of Americas (US).

29. Retirement benefit obligations continued

All Plans

The disclosures required under IAS 19 have been calculated by qualified independent actuaries based on the most recent full actuarial valuations updated, where necessary, to 31 December 2021.

The financial assumptions used at 31 December 2021 as shown below. Sensitivities are recorded on page 286 of the Bank Group accounts and those for non-UK Fund plans are applicable in proportion to the lower liabilities of the Company.

	Funded plans			
	UK Fund		Overseas Plans[1]	
	2021 %	2020 %	**2021 %**	2020 %
Discount rate	**2.0**	1.4	**1.0 – 6.7**	0.6 – 6.3
Price inflation	**2.6**	2.2	**2.0 – 4.0**	1.4 – 4.0
Salary increases	**n/a**	n/a	**3.5 – 7.0**	2.9 – 7.0
Pension increases	**2.5**	2.1	**0.0 – 3.1**	0.0 – 2.7

1 The range of assumptions shown is for the main funded defined benefit overseas plans in Germany, India, Jersey and the US. These comprise around 80 per cent of the total liabilities of funded overseas plans

	Unfunded plans			
	US Post-retirement medical[1]		Other[1]	
	2021 %	2020 %	**2021 %**	2020 %
Discount rate	**3.1**	2.8	**2.0 – 6.7**	1.4 – 6.3
Price inflation	**2.5**	2.5	**2.5 – 4.0**	2.0 – 4.0
Salary increases	**N/A**	n/a	**4.0 – 7.0**	3.5 – 7.0
Pension increases	**N/A**	n/a	**0.0 – 2.6**	0.0 – 2.1
Post-retirement medical rate	**7% in 2021 reducing by 0.5% per annum to 5% in 2025**	7% in 2020 reducing by 0.5% per annum to 5% in 2024	**n/a**	n/a

1 The range of assumptions shown is for the main unfunded plans in India, UAE and the UK. These 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:

	2021				2020			
	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	**145**	**128**	**N/A**	**N/A**	118	154	N/A	N/A
Government bonds	**695**	**137**	**N/A**	**N/A**	844	114	N/A	N/A
Corporate bonds	**610**	**115**	**N/A**	**N/A**	508	86	N/A	N/A
Absolute return Fund	**91**	**–**	**N/A**	**N/A**	94	–	N/A	N/A
Hedge funds[1]	**19**	**–**	**N/A**	**N/A**	89	–	N/A	N/A
Insurance linked funds[1]	**11**	**–**	**N/A**	**N/A**	36	–	N/A	N/A
Property	**127**	**–**	**N/A**	**N/A**	74	–	N/A	N/A
Derivatives	**10**	**–**	**N/A**	**N/A**	20	4	N/A	N/A
Cash and equivalents	**108**	**46**	**N/A**	**N/A**	141	45	N/A	N/A
Others[1]	**94**	**–**	**N/A**	**N/A**	10	9	N/A	N/A
Total fair value of assets[2]	**1,910**	**426**	**N/A**	**N/A**	1,934	412	N/A	N/A
Present value of liabilities	**(1,822)**	**(449)**	**(13)**	**(204)**	(1,982)	(491)	(16)	(224)
Net pension plan obligation	**88**	**(23)**	**(13)**	**(204)**	(48)	(79)	(16)	(224)

1 Unquoted assets

2 Self investment is monitored closely and is less than $1 million of Standard Chartered equities and bonds for 2021 (31 December 2020: <$1 million). Self-investment is only allowed where it is not practical to exclude it – for example through investment in index-tracking funds where the Bank is a constituent of the relevant index

29. Retirement benefit obligations continued

The pension cost for defined benefit plans was:

2021	Funded plans UK Fund $million	Funded plans Overseas plans $million	Unfunded plans Post-retirement medical $million	Unfunded plans Other $million	Total $million
Current service cost[1]	–	11	–	5	16
Past service cost and curtailments	–	(1)	–	(2)	(3)
Interest income on pension plan assets	(26)	(13)	–	–	(39)
Interest on pension plan liabilities	27	15	–	4	46
Total charge to profit before deduction of tax	1	12	–	7	20
Net (gains)/losses on plan assets[2]	(6)	(17)	–	–	(23)
(Gains)/losses on liabilities	(87)	(34)	(2)	(9)	(132)
Total (gains)/losses recognised directly in statement of comprehensive income before tax	(93)	(51)	(2)	(9)	(155)
Deferred taxation	–	13	–	–	13
Total (gains)/losses after tax	(93)	(38)	(2)	(9)	(142)

1 Includes administrative expenses paid out of plan assets of $1 million (31 December 2020: $2 million)

2 The actual return on the UK Fund assets was a gain of $32 million and on overseas plan assets was a gain of $30 million

2020	Funded plans UK Fund $million	Funded plans Overseas plans $million	Unfunded plans Post-retirement medical $million	Unfunded plans Other $million	Total $million
Current service cost[1]	–	9	–	4	13
Past service cost and curtailments[2]	–	–	–	14	14
Interest on pension plan liabilities	35	16	1	5	57
Total charge to profit before deduction of tax	3	10	1	23	37
Net (gains)/losses on plan assets[3]	(160)	(22)	–	–	(182)
(Gains)/losses on liabilities	131	45	(1)	21	196
Total (gains)/losses recognised directly in statement of comprehensive income before tax	(29)	23	(1)	21	14
Deferred taxation	–	(10)	–	–	(10)
Total (gains)/losses after tax	(29)	13	(1)	21	4

1 Includes administrative expenses paid out of plan assets of $2 million (31 December 2019: $2 million)

2 Past service costs arose primarily due to recognition of a legacy UK long term sick plan which has been clarified as technically representing a defined benefit

3 The actual return on the UK Fund assets was a gain of $192 million and on overseas plan assets was a gain of $37 million

Movement in the defined benefit pension plans and post-retirement medical deficit during the year comprise:

	Funded plans UK Fund $million	Funded plans Overseas plans $million	Unfunded plans Post-retirement medical $million	Unfunded plans Other $million	Total $million
Surplus/deficit at 1 January 2021	(48)	(79)	(16)	(224)	(367)
Contributions	45	20	1	17	83
Current service cost	–	(11)	–	(5)	(16)
Past service cost and curtailments[2]	–	1	–	2	3
Net interest on the net defined benefit asset/liability	(1)	(2)	–	(4)	(7)
Actuarial (losses)/gains	93	51	2	9	155
Exchange rate adjustment	(1)	(3)	–	1	(3)
Surplus/deficit at 31 December 2021[1]	88	(23)	(13)	(204)	(152)

1 The deficit total of $152 million is made up of plans in deficit of $266 million (2020: $367 million) net of plans in surplus with assets totalling $114 million (2020: $11 million)

2 Past service costs and gains arose due to plan amendments in India, Kenya and Sri Lanka

29. Retirement benefit obligations continued

Movement in the defined benefit pension plans and post-retirement medical deficit during the year comprise:

	Funded plans		Unfunded plans		
	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million	Total $million
Surplus/deficit at 1 January 2020	(117)	(61)	(16)	(191)	(385)
Contributions	44	17	–	14	75
Current service cost	–	(9)	–	(4)	(13)
Past service cost and curtailments[2]	–	–	–	(14)	(14)
Net interest on the net defined benefit asset/liability	(3)	(1)	(1)	(5)	(10)
Actuarial (losses)/gains	29	(23)	1	(21)	(14)
Other	(1)	(2)	–	(3)	(6)
Surplus/deficit at 31 December 2020[1]	(48)	(79)	(16)	(224)	(367)

1 The deficit total of $367 million is made up of plans in deficit of $378 million (2019: $395 million) net of plans in surplus with assets totalling $11 million (2019: $10 million)

2 Past service costs arose primarily due to recognition of a legacy UK long term sick plan which has been clarified as technically representing a defined benefit

The Company's expected contribution to its defined benefit pension plans in 2020 is $73 million

	2021			2020		
	Assets $million	**Obligations $million**	**Total $million**	Assets $million	Obligations $million	Total $million
At 1 January	**2,346**	**(2,713)**	**(367)**	2,097	(2,482)	(385)
Contributions[1]	**83**	**–**	**83**	75	–	75
Current service cost[2]	**–**	**(16)**	**(16)**	–	(13)	(13)
Past service cost and curtailments	**–**	**3**	**3**	–	(14)	(14)
Interest cost on pension plan liabilities	**–**	**(46)**	**(46)**	–	(57)	(57)
Interest income on pension plan assets	**39**	**–**	**39**	47	–	47
Benefits paid out[2]	**(134)**	**134**	**–**	(123)	123	–
Actuarial (losses)/gains[3]	**23**	**132**	**155**	182	(196)	(14)
Exchange rate adjustment	**(21)**	**18**	**(3)**	68	(74)	(6)
At 31 December	**2,336**	**(2,488)**	**(152)**	2,346	(2,713)	(367)

1 Includes employee contributions of nil (31 December 2020: nil)

2 Includes administrative expenses paid out of plan assets of $1 million (31 December 2020: $2 million)

3 Actuarial gain on obligation comprises of $115 million gain (31 December 2020: $232 million loss) from financial assumption changes, $5 million gain (31 December 2020: $21 million gain) from demographic assumption changes and $12 million gain (31 December 2020: $15 million gain) from experience

30. Share-based payments

Accounting policy

The Group operates equity-settled and cash-settled share-based compensation plans. The fair value of the employee services (measured by the fair value of the awards granted) received in exchange for the grant of the shares and awards is recognised as an expense. For deferred share awards granted as part of an annual performance award, the expense is recognised over the period from the start of the performance period to the vesting date. For example, the expense for three-year awards granted in 2022 in respect of 2021 performance, which vest in 2023-2025, is recognised as an expense over the period from 1 January 2021 to the vesting dates in 2023-2025. For all other awards, the expense is recognised over the period from the date of grant to the vesting date.

For equity-settled awards, the total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and awards at the date of grant, which excludes the impact of any non-market vesting conditions (for example, profitability and growth targets). The fair value of equity instruments granted is based on market prices, if available, at the date of grant. In the absence of market prices, the fair value of the instruments is estimated using an appropriate valuation technique, such as a binomial option pricing model. Non-market vesting conditions are included in assumptions for the number of shares and awards that are expected to vest.

At each balance sheet date, the Group revises its estimates of the number of shares and awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period. Forfeitures prior to vesting attributable to factors other than the failure to satisfy service conditions and non-market vesting conditions are treated as a cancellation and the remaining unamortised charge is debited to the income statement at the time of cancellation. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when awards in the form of options are exercised.

Cash-settled awards are revalued at each balance sheet date and a liability recognised on the balance sheet for all unpaid amounts, with any changes in fair value charged or credited to staff costs in the income statement until the awards are exercised. Where forfeitures occur prior to vesting that are attributable to factors other than a failure to satisfy service conditions or market-based performance conditions, the cumulative charge incurred up to the date of forfeiture is credited to the income statement. Any revaluation related to cash-settled awards is recorded as an amount due from subsidiary undertakings.

The Group operates a number of share-based arrangements for its executive directors and employees. Details of the share-based payment charge are set out below.

	2021 $million	2020 $million
Deferred share awards	87	67
Other share awards	63	65
Total share-based payments[1, 2]	**150**	132

1 No forfeiture assumed

2 Includes $2 million (2020: $13 million) of share-based payments reported in 'other staff costs'. This reflects Bank Group's requirement under IFRS 2 to account for cash-settled awards made to employees of Bank Group settled by Standard Chartered PLC with payments linked to PLC's share price as equity-settled awards

2011 Standard Chartered Share Plan (the '2011 Plan')

The 2011 Plan was approved by shareholders in May 2011 and is the Group's main share plan. Since approval, it has been used to deliver various types of share awards:

- Long Term Incentive Plan (LTIP) awards: granted with vesting subject to performance measures. Performance measures attached to awards granted previously include: total shareholder return (TSR); return on equity (RoE) and return on tangible equity (RoTE) (in the case of both RoE and RoTE, with a Common Equity Tier 1 (CET1) underpin); strategic measures; earnings per share (EPS) growth; and return on risk-weighted assets (RoRWA). Each measure is assessed independently over a three-year period. Awards granted from 2016 have an individual conduct gateway requirement that results in the award lapsing if not met
- Deferred awards are used to deliver the deferred portion of variable remuneration, in line with both market practice and regulatory requirements. These awards vest in instalments on anniversaries of the award date specified at the time of grant. Deferred awards are not subject to any plan limit. This enables the Group to meet regulatory requirements relating to deferral levels, and is in line with market practice

30. Share-based payments continued

- Restricted share awards, made outside of the annual performance process as replacement buy-out awards to new joiners who forfeit awards on leaving their previous employers, vest in instalments on the anniversaries of the award date specified at the time of grant. This enables the Group to meet regulatory requirements relating to buy-outs, and is in line with market practice. In line with similar plans operated by our competitors, restricted share awards are not subject to an annual limit and do not have any performance measures

Under the 2011 Plan, no grant price is payable to receive an award. The remaining life of the 2011 Plan during which new awards can be made is one year.

Valuation – LTIP awards

The vesting of awards granted in both 2021 and 2020 is subject to relative TSR performance measures, achievement of a strategic scorecard and satisfaction of RoTE (subject to a capital CET1 underpin). The vesting of awards granted in 2021 has additional conditions under strategic measures related to targets set for sustainability linked to business strategy. The fair value of the TSR component is calculated using the probability of meeting the measures over a three-year performance period, using a Monte Carlo simulation model. The number of shares expected to vest is evaluated at each reporting date, based on the expected performance against the RoTE and strategic measures in the scorecard, to determine the accounting charge.

No dividend equivalents accrue for the LTIP awards made in 2020 or 2021 and the fair value takes this into account, calculated by reference to market consensus dividend yield.

	2021	2020
Grant date	15 March	09 March
Share price at grant date (£)	4.90	5.20
Vesting period (years)	3-7	3-7
Expected divided yield (%)	3.4	4.2
Fair value (RoTE) (£)	1.25, 1.20	1.40, 1.34
Fair value (TSR) (£)	0.72, 0.71	0.75, 0.72
Fair value (Strategic) (£)	1.66, 1.60	1.40, 1.34

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 2021, the fair value of awards takes into account the lack of dividend equivalents, calculated by reference to market consensus dividend yield.

Deferred share awards

	2021			
Grant date	**22 June**		**30 March**	
Share price at grant date (£)		4.69		4.90
Vesting period (years)	**Expected dividend yield (%)**	**Fair value (£)**	**Expected dividend yield (%)**	**Fair value (£)**
1-3 years	N/A,3.4	4.69,4.24	N/A,3.4,3.4	4.90,4.58,4.43
1-5 years	3.4	4.17	3.4,3.4,3.4	4.43,4.36,4.29
3-7 years	–	–	3.4,3.4	4.15,4.01

	2020					
Grant date	22 June		30 March		9 March	
Share price at grant date (£)		4.27		4.67		5.20
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1-3 years	N/A	4.27	N/A,4.2	4.67,4.13	N/A,4.2,4.2	5.20,4.79,4.59
1-5 years	–	–	4.2	4.04	4.2,4.2	4.59,4.50
3-7 years	–	–	–	–	4.2,4.2	4.23,4.06

30. Share-based payments continued

Other restricted share awards

	2021					
Grant date	30 September		22 June		9 March	
Share price at grant date (£)		4.37		4.69		4.90
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1 year	3.4	4.23	3.4	4.53	3.4	4.74
2 years	3.4	4.09	3.4	4.38	3.4	4.58
3 years	3.4	3.95	3.4	4.24	3.4	4.43
4 years	3.4	3.82	3.4	4.10	3.4	4.29
5 years	3.4	3.70	–	–	–	–

	2020							
Grant date	26 November		30 September		22 June		9 March	
Share price at grant date (£)		4.71		3.52		4.27		5.20
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1 year	4.2	4.34,4.52	4.2	3.38	4.2	4.10	4.2	4.99
2 years	4.2	4.16,4.34	4.2	3.24	4.2	3.93	4.2	4.79
3 years	4.2	4.16	4.2	3.11	4.2	3.77	4.2	4.59
4 years	4.2	4.00	4.2	2.98	4.2	3.62	4.2	4.41
5 years	–	–	–	–	4.2	3.48	4.2	4.23

All Employee Sharesave Plans

2013 Sharesave Plan

Under the 2013 Sharesave Plan, employees may open a savings contract. Within a maturity period of six months after the third anniversary, employees may save up to £250 per month over three years to purchase ordinary shares in the Company at a discount of up to 20 per cent on the share price at the date of invitation (this is known as the 'option exercise price'). There are no performance measures attached to options granted under the 2013 Sharesave Plan and no grant price is payable to receive an option. In some countries in which the Group operates, it is not possible to operate Sharesave plans, typically due to securities law and regulatory restrictions. In these countries, where possible, the Group offers an equivalent cash-based plan to its employees.

The 2013 Sharesave Plan was approved by shareholders in May 2013 and all future Sharesave invitations are made under this plan. The remaining life of the 2013 Sharesave Plan is two years.

Valuation – Sharesave:

Options under the Sharesave plans are valued using a binomial option-pricing model. The same fair value is applied to all employees including executive directors. The fair value per option granted and the assumptions used in the calculation are as follows:

	2021	2020
Grant date	30 September	30 September
Share price at grant date (£)	4.37	3.52
Exercise price (£)	3.67	3.14
Vesting period (years)	3	3
Expected volatility (%)	35.1	31.8
Expected option life (years)	3.33	3.33
Risk-free rate (%)	0.42	(0.07)
Expected dividend yield (%)	3.4	4.2
Fair value (£)	1.11	0.69

The expected volatility is based on historical volatility over the last three years, or three years prior to grant. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. The expected dividend yield is calculated by reference to market consensus dividend yield.

30. Share-based payments continued

Limits

An award shall not be granted under the 2011 Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares allocated in the period of 10 calendar years ending with that calendar year under the 2011 Plan and under any other discretionary share plan operated by Standard Chartered PLC to exceed such number as represents 5 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

An award shall not be granted under the 2011 Plan or 2013 Sharesave Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares allocated in the period of 10 calendar years ending with that calendar year under the 2011 Plan or 2013 Sharesave Plan and under any other employee share plan operated by Standard Chartered PLC to exceed such number as represents 10 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

An award shall not be granted under the 2011 Plan or 2013 Sharesave Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares which may be issued or transferred pursuant to awards then outstanding under the 2011 Plan or 2013 Sharesave Plan as relevant to exceed such number as represents 10 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

The number of Standard Chartered PLC ordinary shares which may be issued pursuant to awards granted under the 2011 Plan in any 12-month period must not exceed such number as represents 1 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time. The number of Standard Chartered PLC ordinary shares which may be issued pursuant to awards granted under the 2013 Sharesave Plan in any 12-month period must not exceed such number as represents 1 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

Reconciliation of share award movements for the year to 31 December 2021

	2011 Plan			
	LTIP	Deferred/ Restricted shares[1]	Sharesave	Weighted average Sharesave exercise price (£)
Outstanding at 1 January 2021	22,402,580	34,672,825	10,878,090	4.57
Granted[2,]	3,775,615	14,546,571	2,675,125	–
Lapsed	(14,765,454)	(786,117)	(3,491,017)	5.33
Exercised	(320,964)	(14,229,007)	(3,740)	3.62
Outstanding as at 31 December 2021	11,091,777	34,204,272	10,058,458	4.07
Exercisable as at 31 December 2021	3,952	1,534,479	2,293,424	5.11
Range of exercise prices (£)[3]	–	–	3.14 – 6.20	
Intrinsic value of vested but not exercised options ($ million)	0.02	9.31	0.05	
Weighted average contractual remaining life (years)	7.82	8.08	2.04	
Weighted average share price for awards exercised during the period (£)	4.95	4.88	4.69	

1 Employees does not contribute towards the cost of these awards and are covered under the 2011 and 2021 share plan rules

2 14,208,239 (DRSA/RSA) granted on 15 March 2021, 78,811 (DRSA/RSA) granted as notional dividend on 01 March 2021, 3,761,387 (LTIP) granted on 15 March 2021, 10,954 (LTIP) granted as notional dividend on 01 March 2021, 158,767 (DRSA/RSA) granted on 21 June 2021. 27,785 (DRSA/RSA) granted as notional dividend on 13 August 2021, 3,274 (LTIP) granted as notional dividend on 13 August 2021, 72,969 (RSA) granted on 30 September 2021, 2,675,125 (Sharesave) granted on 30 September 2021. LTIP and DRSA/RSA awards granted in March 2021 were granted under the 2011 Plan, and DRSA/RSA awards granted in June and September 2021 were granted under the 2021 Plan. Notional dividends were granted under the 2011 Plan. Sharesave options granted in 2021 were granted under the 2013 Sharesave Plan.

3 For Sharesave options granted in 2021 the exercise price is £3.67 per share, which was a 20% discount to the closing share price on 27 August 2021. The closing share price on 27 August 2021 was £4.578.

30. Share-based payments continued

Reconciliation of share award movements for the year to 31 December 2020

	2011 Plan			
	LTIP	Deferred/ Restricted shares[1]	Sharesave	Weighted average Sharesave exercise price (£)
Outstanding at 1 January 2020	20,550,048	25,529,031	10,198,118	5.35
Granted[2]	2,933,189	20,324,709	3,702,169	–
Lapsed	(824,269)	(558,540)	(2,865,637)	5.44
Exercised	(256,388)	(10,622,375)	(156,560)	5.30
Outstanding at 31 December 2020	22,402,580	34,672,825	10,878,090	4.57
Exercisable as at 31 December 2020	26,059	2,193,792	1,545,932	6.17
Range of exercise prices (£)[3]	–	–	3.14 – 6.20	
Intrinsic value of vested but not exercised options ($ million)	0.17	13.95	0.01	
Weighted average contractual remaining life (years)	6.26	8.32	2.16	
Weighted average share price for awards exercised during the period (£)	4.28	4.54	6.76	

1. Employees do not contribute towards the cost of these awards

2. 19,081,191 (DRSA/RSA) granted on 09 March 2020, 171,578 (DRSA/RSA) granted as notional dividend on 06 March 2020, 2,872,132 (LTIP) granted on 09 March 2020, 56,805 (LTIP) granted as notional dividend on 06 March 2020, 172,893 (DRSA/RSA) granted on 22 June 2020, 4,252 (LTIP) granted as notional dividend on 25 August 2020, 460,311 (DRSA/RSA) granted on 30 September 2020, 3,720,169 (Sharesave) granted on 30 September 2020, 438,728 (DRSA/RSA) granted on 26 November 2020

3. For Sharesave granted in 2020 the exercise price is £3.14 per share, which was a 20% discount to the closing share price on 28 August 2020. The closing share price on 28 August 2020 was of £3.924.

31. Investments in subsidiary undertakings, joint ventures and associates

Accounting policy

Subsidiaries

Subsidiaries are all entities, including structured entities, which the Group controls. The Group controls an entity when it is exposed to, and has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The assessment of power is based on the Group's practical ability to direct the relevant activities of the entity unilaterally for the Group's own benefit and is subject to reassessment if and when one or more of the elements of control change. Subsidiaries are fully consolidated from the date on which the Group effectively obtains control. They are deconsolidated from the date that control ceases, and where any interest in the subsidiary remains, this is remeasured to its fair value and the change in carrying amount is recognised in the income statement.

Associates and joint arrangements

Joint arrangements are where two or more parties either have rights to the assets, and obligations of the joint arrangement (joint operations), or have rights to the net assets of the joint arrangement (joint venture). The Group evaluates the contractual terms of joint arrangements to determine whether a joint arrangement is a joint operation or a joint venture. The Group did not have any contractual interest in joint operations.

An associate is an entity over which the Group has significant influence.

Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition (net of any accumulated impairment loss).

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. At each balance sheet date, the Group assesses whether there is any objective evidence of impairment in the investment in associates and joint ventures. Such evidence includes a significant or prolonged decline in the fair value of the Group's investment in an associate or joint venture below its cost, among other factors.

31. Investments in subsidiary undertakings, joint ventures and associates continued

Significant accounting estimates and judgements

The Group applies judgement in determining if it has control, joint control or significant influence over subsidiaries, joint ventures and associates respectively. These judgements are based upon identifying the relevant activities of counterparties, being those activities that significantly affect the entities returns, and further making a decision of if the Group has control over those entities, joint control, or has significant influence (being the power to participate in the financial and operating policy decisions but not control them).

These judgements are at times determined by equity holdings, and the voting rights associated with those holdings. However, further considerations including but not limited to board seats, advisory committee members and specialist knowledge of some decision-makers are also taken into account. Further judgement is required when determining if the Group has de-facto control over an entity even though it may hold less than 50% of the voting shares of that entity. Judgement is required to determine the relative size of the Group's shareholding when compared to the size and dispersion of other shareholders.

Impairment testing of investments in associates and joint ventures is performed if there is a possible indicator of impairment. Judgement is used to determine if there is objective evidence of impairment. Objective evidence may be observable data such as losses incurred on the investment when applying the equity method, the granting of concessions as a result of financial difficulty, or breaches of contracts/regulatory fines of the associate or joint venture. Further judgement is required when considering broader indicators of impairment such as losses of active markets or ratings downgrades across key markets in which the associate or joint venture operate in.

Impairment testing is based on estimates including forecasting the expected cash flows from the investments, growth rates, terminal values and the discount rate used in calculation of the present values of those cash flows. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement.

Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, together with the fair value of any contingent consideration payable. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill (see Note 16 for details on goodwill recognised by the Group). If the cost of acquisition is less than the fair value of the net assets and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the income statement.

Where the fair values of the identifiable net assets and contingent liabilities acquired have been determined provisionally, or where contingent or deferred consideration is payable, adjustments arising from their subsequent finalisation are not reflected in the income statement if (i) they arise within 12 months of the acquisition date (or relate to acquisitions completed before 1 January 2014) and (ii) the adjustments arise from better information about conditions existing at the acquisition date (measurement period adjustments). Such adjustments are applied as at the date of acquisition and, if applicable, prior year amounts are restated. All changes that are not measurement period adjustments are reported in income other than changes in contingent consideration not classified as financial instruments, which are accounted for in accordance with the appropriate accounting policy, and changes in contingent consideration classified as equity, which is not remeasured.

Changes in ownership interest in a subsidiary, which do not result in a loss of control, are treated as transactions between equity holders and are reported in equity. Where a business combination is achieved in stages, the previously held equity interest is remeasured at the acquisition date fair value with the resulting gain or loss recognised in the income statement.

In the Company's financial statements, investment in subsidiaries, associates and joint ventures are held at cost less impairment and dividends from pre-acquisition profits received prior to 1 January 2009, if any. Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in the Group accounts.

Investments in subsidiary undertakings	2021 $million	2020 $million
As at 1 January	**8,258**	9,227
Additions[1]	**3,077**	141
Disposal[2]	**(1,639)**	(716)
Impairment	**(2)**	(394)
As at 31 December	**9,694**	8,258

1 Includes issuances of $1,273 million by Standard Chartered Holdings (Singapore) Private Limited and $1,066 million by Standard Chartered Bank (Singapore) Limited

2 Disposal of Standard Chartered Bank (Thai) Public Company Limited ($782 million), Standard Chartered Bank (Vietnam) Limited ($327 million) from Standard Chartered Bank to Standard Chartered Bank (Singapore) Limited and $530 million repaid by Standard Chartered Holdings (Singapore) Private Limited to holding company Impairment primarily consists of $72m on Standard Chartered (Thai) Public Company Limited as a result of a decrease in net asset value due to losses for the year, dividends paid and foreign exchange movements, offset by reversals of impairment of various subsidiaries, primarily Standard Chartered UK Holdings Limited and Standard Chartered Holdings Inc, as a result of increases in the recoverable amounts.

31. Investments in subsidiary undertakings, joint ventures and associates continued

At 31 December 2021, the principal subsidiary undertakings, all indirectly held except for Standard Chartered Bank AG, Standard Chartered Bank (Pakistan) Limited, Standard Chartered Bank (Mauritius) Limited and 13.6 per cent of Standard Chartered Bank (Singapore) Limited, 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 (Singapore) Limited, Singapore	Singapore	100
Standard Chartered Bank AG, Germany	Germany, Sweden and France	100
Standard Chartered Bank Malaysia Berhad, Malaysia	Malaysia	100
Standard Chartered Bank Nigeria Limited, Nigeria	Nigeria	100
Standard Chartered Bank (Vietnam) Limited, Vietnam	Vietnam	100
Standard Chartered Bank (Mauritius) Limited, Mauritius	Mauritius	100

Country and place of incorporation or registration	Main areas of operation	Group interest in ordinary share capital %
Standard Chartered Bank (Thai) Public Company Limited, Thailand	Thailand	99.87
Standard Chartered Bank (Pakistan) Limited, Pakistan	Pakistan	98.99
Standard Chartered Bank Zambia PLC, Zambia	Zambia	90.00
Standard Chartered Bank Botswana Limited, Botswana	Botswana	75.83
Standard Chartered Bank Kenya Limited, Kenya	Kenya	74.32
Standard Chartered Bank Ghana PLC, Ghana	Ghana	69.42

A complete list of subsidiary undertaking is included in Note 39.

The Group does not have any material non-controlling interest except as listed above, which contribute $44 million (31 December 2020: $41 million) of the profit attributable to non-controlling interest and $213 million (31 December 2020: $213 million) of the equity attributable to non-controlling interests.

While the Group's subsidiaries are subject to local statutory capital and liquidity requirements in relation to foreign exchange remittance, these restrictions arise in the normal course of business and do not significantly restrict the Group's ability to access or use assets and settle liabilities of the Group.

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory framework within which the banking subsidiaries operate. These frameworks require banking operations to keep certain levels of regulatory capital, liquid assets, exposure limits and comply with other required ratios. These restrictions are summarised below:

Regulatory and liquidity requirements

The Group's subsidiaries are required to maintain minimum capital, leverage ratios, liquidity and exposure ratios which therefore restrict the ability of these subsidiaries to distribute cash or other assets to the parent company.

The subsidiaries are also required to maintain balances with central banks and other regulatory authorities in the countries in which they operate. At 31 December 2021, the total cash and balances with central banks was $62 billion (31 December 2020: $58 billion) of which $3 billion (31 December 2020: $3 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.

31. Investments in subsidiary undertakings, joint ventures and associates continued

Contractual requirements

The encumbered assets in the balance sheet of the Group's subsidiaries are not available for transfer around the Group.

Share of profit from investment in associates and joint ventures comprises:

	2021 $million	2020 $million
Profit from investment in joint ventures	(2)	(3)
Profit from investment in associates	3	4
Total	1	1

Interests in associates and joint ventures

	2021 $million	2020 $million
As at 1 January	79	44
Exchange translation differences	(1)	(7)
Additions	90	41
Share of profits	1	1
Disposals[1]	(16)	–
Share of fair value through other comprehensive income	3	–
As at 31 December	156	79

1 Sale of Assembly payments to Currency fair has been reported

Company

Bank Company has an Investment in Trade Information Network (associate) and the carrying value of the investment is $1 million (31 December 2020: $Nil million)

A complete list of the Group's interest in associates and joint ventures is included in Note 39. The principal associate is:

Associate	Nature of activities	Main areas of operation	Group interest in ordinary share capital %
CurrencyFair Limited Exchange Ireland	Banking	Ireland	43.42

On the 10th September 2021, the Group, through its subsidiary Standard Chartered UK Holdings Limited completed its investment in acquisition of CurrencyFair Limited, an Irish foreign exchange payments platform.

The Group invested in CurrencyFair through the contribution of its existing investment in its joint venture, Assembly Payments Pte. Limited and a cash injection into CurrencyFair of $35 million, which provided the Group with equity of 43.42% in CurrencyFair.

This equity ownership, along with seats on the board of directors resulted in the Group having significant influence over CurrencyFair and as such will equity method account the investment.

The transaction will facilitate creation of a combined payments and foreign exchange products franchise, combining the customer base, staff, expertise and capabilities of both CurrencyFair and Assembly Payments.

The fair value of consideration for the investment as follows:

Consideration	$million
Fair value of the Group's investment in Assembly Payments[1]	36
Cash consideration	35
Total consideration/Investment in Associate	71

1 The fair value of Assembly Payments was determined to be $60m, of which the Group's equity ownership on transfer was 59.63%. The Group carried this investment under the equity method at a balance of $16m resulting in a profit on disposal of $20m

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.

	2021 $million	2020 $million
Principal and other structured finance	173	225
Total	173	225

32. Structured entities continued

Interests in unconsolidated structured entities: Unconsolidated structured entities are all structured entities that are not controlled by the Group. The Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities. An interest in a structured entity is contractual or non-contractual involvement which creates variability of the returns of the Group arising from the performance of the structured entity.

The table below presents the carrying amount of the assets recognised in the financial statements relating to variable interests held in unconsolidated structured entities, the maximum exposure to loss relating to those interests and the total assets of the structured entities. Maximum exposure to loss is primarily limited to the carrying amount of the Group's on-balance sheet exposure to the structured entity. For derivatives, the maximum exposure to loss represents the on-balance sheet valuation and not the notional amount. For commitments and guarantees, the maximum exposure to loss is the notional amount of potential future losses.

	2021				2020			
	Asset-backed securities $million	Principal Finance funds $million	Other activities $million	Total $million	Asset-backed securities $million	Principal Finance funds $million	Other activities $million	Total $million
Group's interest – assets								
Financial assets held at fair value through profit or loss	664	82	–	746	495	91	–	586
Loans and advances/ Investment securities at amortised cost	9,234	–	–	9,234	5,224	267	–	5,491
Investment securities (fair value through other comprehensive income)	1,368	–	–	1,368	1,985	–	–	1,985
Other assets	–	1	–	1	–	–	–	–
Total assets	11,266	83	–	11,349	7,704	358	–	8,062
Off-balance sheet	–	99	–	99	–	64	–	64
Group's maximum exposure to loss	11,266	182	–	11,448	7,704	422	–	8,126
Total assets of structured entities	138,014	872	2	138,888	134,363	2,274	2	136,639

The main types of activities for which the Group utilises unconsolidated structured entities cover synthetic credit default swaps for managed investment funds (including specialised Principal Finance funds), portfolio management purposes, structured finance and asset-backed securities. These are detailed as follows:

- **Asset-backed securities (ABS):** The Group also has investments in asset-backed securities issued by third-party sponsored and managed structured entities. For the purpose of market making and at the discretion of ABS trading desk, the Group may hold an immaterial amount of debt securities from structured entities originated by credit portfolio management. This is disclosed in the ABS column above.
- **Portfolio management (Group sponsored entities):** For the purposes of portfolio management, the Group purchased credit protection via synthetic credit default swaps from note-issuing structured entities. This credit protection creates credit risk which the structured entity and subsequently the end investor absorbs. The referenced assets remain on the Group's balance sheet as they are not assigned to these structured entities. The Group continues to own or hold all of the risks and returns relating to these assets. The credit protection obtained from the regulatory-compliant securitisation only serves to protect the Group against losses upon the occurrence of eligible credit events and the underlying assets are not derecognised from the Group's balance sheet. The Group does not hold any equity interests in the structured entities, but may hold an insignificant amount of the issued notes for market making purposes. This is disclosed in the ABS section above. The proceeds of the notes' issuance are typically held as cash collateral in the issuer's account operated by a trustee or invested in AAA-rated government-backed securities to collateralise the structured entities swap obligations to the Group, and to repay the principal to investors at maturity. The structured entities reimburse the Group on actual losses incurred, through the use of the cash collateral or realisation of the collateral security. Correspondingly, the structured entities write down the notes issued by an equal amount of the losses incurred, in reverse order of seniority. All funding is committed for the life of these vehicles and the Group has no indirect exposure in respect of the vehicles' liquidity position. The Group has reputational risk in respect of certain portfolio management vehicles and investment funds either because the Group is the arranger and lead manager or because the structured entities have Standard Chartered branding.
- **Principal Finance Fund:** The Group's exposure to Principal Finance Funds represents committed or invested capital in unleveraged investment funds, primarily investing in pan-Asian infrastructure, real estate and private equity.
- **Other activities:** Other activities include structured entities created to support margin financing transactions, the refinancing of existing credit and debt facilities, as well as setting up of bankruptcy remote structured entities.

33. Cash flow statement

Adjustment for non-cash items and other adjustments included within income statement

	Group		Company	
	2021 $million	2020 $million	2021 $million	2020 $million
Amortisation of discounts and premiums of investment securities	94	(568)	243	(305)
Interest expense on subordinated liabilities	6	540	401	525
Interest expense on senior debt securities in issue	60	54	(35)	38
Other non-cash items	(67)	(87)	1	(52)
Pension costs for defined benefit schemes	31	46	20	37
Share-based payment costs	148	119	99	73
Impairment losses on loans and advances and other credit risk provisions	(30)	1,976	(38)	888
Dividend income from subsidiaries	–	–	(1,626)	(403)
Other impairment	30	262	30	670
Gain on disposal of property, plant and equipment	(10)	(1)	–	2
Gain on disposal of FVOCI & AMCST financial assets	(130)	(355)	(69)	(236)
Depreciation and amortisation	594	672	416	470
Fair value changes taken to PL	(67)	–	(34)	–
Foreign Currency revaluation	(188)	–	(67)	-
Net gain on derecognition of investment in associate	–	(6)	–	(245)
Profit from associates and joint ventures	1	(1)	–	–
Total	**472**	2,651	**(659)**	1,462

Change in operating assets

	Group		Company	
	2021 $million	2020 $million	2021 $million	2020 $million
Decrease/(Increase) in derivative financial instruments	12,730	(16,281)	12,999	(15,481)
Increase in debt securities, treasury bills and equity shares held at fair value through profit or loss	(3,581)	(1,920)	(1,245)	(1,472)
(Increase)/decrease in loans and advances to banks and customers	(24,206)	2,872	(15,951)	6,499
Net decrease in prepayments and accrued income	19	468	44	427
Net decrease/(increase) in other assets	1,672	(502)	2,975	6,405
Total	**(13,366)**	(15,363)	**(1,178)**	(3,622)

Change in operating liabilities

	Group		Company	
	2021 $million	2020 $million	2021 $million	2020 $million
(Decrease)/Increase in derivative financial instruments	(12,245)	16,052	(12,158)	15,093
Net increase/(decrease) in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	54,022	4,712	36,056	(4,272)
Increase/(decrease) in accruals and deferred income	113	(609)	159	(336)
Decrease in amount due to parents/subsidiaries/other related	(498)	(3,385)	(1,693)	(727)
Net (decrease)/increase in other liabilities	(3,789)	4,842	(3,462)	3,532
Total	**37,603**	21,612	**18,902**	13,290

In 2020, $445m of additions to internally generated capitalised software were included in the cash flows from operating activities section of the cash flow statement within change in operating assets. In 2021, $503m of additions to internally generated capitalised software are included in cash flows from investing activities as a separate line item. The 2020 comparative cash flow statement has not been adjusted for this change in classification.

33. Cash flow statement continued

Disclosures

	Group		Company	
	2021 $million	2020 $million	**2021 $million**	2020 $million
Subordinated debt (including accrued interest):				
Opening balance	**14,885**	13,043	**14,345**	12,502
Proceeds from the issue	**–**	4,630	**–**	4,630
Interest paid	**(479)**	(503)	**(456)**	(480)
Repayment	**(16)**	(2,869)	**(16)**	(2,869)
Foreign exchange movements	**(98)**	2	**(98)**	2
Fair value changes	**(150)**	86	**(150)**	86
Other	**479**	496	**456**	474
Closing balance	**14,621**	14,885	**14,081**	14,345

	Group		Company	
	2021 $million	2020 $million	**2021 $million**	2020 $million
Senior debt (including accrued interest):				
Opening balance	**1,706**	1,164	**686**	742
Proceeds from the issue	**2,833**	1,984	**660**	650
Interest paid	**(16)**	(15)	**(16)**	(14)
Repayment	**(3,250)**	(1,310)	**(422)**	(577)
Foreign exchange movements	**(8)**	(6)	**(2)**	–
Fair value changes	**(1)**	–	**–**	–
Other	**25**	(111)	**17**	(115)
Closing balance	**1,289**	1,706	**923**	686

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	
	2021 $million	2020 $million	**2021 $million**	2020 $million
Cash and balances at central banks	**61,963**	58,117	**48,165**	46,476
Less: restricted balances	**(3,063)**	(2,683)	**(1,160)**	(932)
Treasury bills and other eligible bills	**3,635**	2,664	**1,627**	723
Loans and advances to banks	**18,672**	16,844	**10,643**	9,865
Trading securities	**220**	968	**132**	19
Total	**81,427**	75,910	**59,406**	56,151

35. Related party transactions

Directors and officers

Details of directors' remuneration and interests in shares are disclosed in the Note 38 Remuneration of Directors.

IAS 24 Related party disclosures requires the following additional information for key management compensation. Key management comprises non-executive directors, executive directors of Standard Chartered PLC, the Court directors of Standard Chartered Bank and the persons discharging managerial responsibilities (PDMR) of Standard Chartered PLC.

	2021 $million	2020 $million
Salaries, allowances and benefits in kind	40	35
Share-based payments	28	26
Bonuses paid or receivable	4	1
Total	72	62

Transactions with directors and others

At 31 December 2021, the total amounts to be disclosed under the Companies Act 2006 (the Act) and the Listing Rules of the Hong Kong Stock Exchange Limited (HK Listing Rules) about loans to directors were as follows:

	2021		2020	
	Number	$million	Number	$million
Directors	3	–	3	–

The loan transactions provided to the directors of Standard Chartered PLC were a connected transaction under Chapter 14A of the HK Listing Rules. It was fully exempt as financial assistance under Rule 14A.87(1), as it was provided in our ordinary and usual course of business and on normal commercial terms.

Other than as disclosed in these financial statements, there were no other transactions, arrangements or agreements outstanding for any director of the Company which have to be disclosed under the Act.

35. Related party transactions continued

Group

	2021				2020			
	Due from/to subsidiary undertakings and other related parties $million	Derivative financial instruments $million	Subordinated liabilities and other borrowed funds $million	Debt Securities $million	Due from/to subsidiary undertakings and other related parties $million	Derivative financial instruments $million	Subordinated liabilities and other borrowed funds $million	Debt Securities $million
Assets								
Ultimate parent company	380	691	–	–	409	664	–	–
Fellow subsidiaries of SC PLC Group	5,855	4,521	–	737	4,988	8,183	–	807
	6,235	5,212	–	737	5,397	8,847	–	807
Liabilities								
Ultimate parent company	11,264	617	14,148	5,286	12,262	1,150	14,373	4,005
Fellow subsidiaries of SC PLC Group	19,734	4,696	–	667	19,848	7,210	–	667
	30,998	5,313	14,148	5,953	32,110	8,360	14,373	4,672

	2021			
	Fees and commission income $million	Fees and commission expense $million	Interest income $million	Interest expense $million
Ultimate parent company	–	–	7	776
Fellow subsidiaries of SC PLC Group	71	104	34	49
	71	104	41	825

	2020			
	Fees and commission income $million	Fees and commission expense $million	Interest income $million	Interest expense $million
Ultimate parent company	–	–	28	816
Fellow subsidiaries of SC PLC Group	66	139	37	108
	66	139	65	924

The Group contributes to employee pension funds and provides banking services free of charge to the UK fund. For details of the funds (see Note 29).

The Group's employees participate in the Standard Chartered PLC group's share-based compensation plans (see Note 30). The cost of the compensation is recharged from Standard Chartered PLC to the Group's branches and subsidiaries.

Associates and joint ventures

The following transactions with related parties are on an arm's length basis:

	2021 $million	2020 $million
Assets		
Loans and advances	–	5
Total assets	–	5
Liabilities		
Deposits	47	11[1]
Derivative liabilities	1	5
Total liabilities	48	16
Loan commitments and other guarantees[2]	80	55

1 Prior year has been restated

2 The maximum loan commitments and other guarantees during the year was $80 million

35. Related party transactions continued

Company

	2021				2020			
	Due from/to subsidiary undertakings and other related parties $million	Derivative financial instruments $million	Subordinated liabilities and other borrowed funds $million	Debt Securities $million	Due from/to subsidiary undertakings and other related parties $million	Derivative financial instruments $million	Subordinated liabilities and other borrowed funds $million	Debt Securities $million
Assets								
Ultimate parent company	380	691	–	–	409	664	–	–
Subsidiaries and fellow subsidiaries of SC PLC Group	10,361	7,067	–	1,784	9,732	10,591	–	1,869
	10,741	7,758	–	1,784	10,141	11,255	–	1,869
Liabilities								
Ultimate parent company	11,262	617	13,609	5,286	12,258	1,150	13,833	4,005
Subsidiaries and fellow subsidiaries of SC PLC Group	29,483	7,266	–	–	30,009	9,095	–	–
	40,745	7,883	13,609	5,286	42,267	10,245	13,833	4,005

	2021				
	Fees and commission income $million	Fees and commission expense $million	Interest income $million	Interest expense $million	Dividend income $million
Ultimate parent company	–	–	7	765	–
Subsidiaries and fellow subsidiaries of SC PLC Group	130	133	66	76	1,626
	130	133	73	841	1,626

	2020				
	Fees and commission income $million	Fees and commission expense $million	Interest income $million	Interest expense $million	Dividend income $million
Ultimate parent company	–	–	28	796	–
Subsidiaries and fellow subsidiaries of SC PLC Group	84	103	111	165	403
	84	103	139	961	403

As at 31 December 2021, Standard Chartered Bank had created a charge over $100 million (31 December 2020: $89 million) of cash assets in favour of the non-consolidated independent trustee of its employer financed retirement benefit scheme.

The Company contributes to employee pension funds and provides banking services free of charge to the UK fund. For details of the funds see note 29.

The Company's employees participate in the Standard Chartered PLC group's share-based compensation plans (see note 30).

The Company has an agreement with Standard Chartered PLC that in the event of the Company defaulting on its debt coupon interest payments, where the terms of such debt requires it, Standard Chartered PLC shall issue shares as settlement for non-payment of the coupon interest.

36. Post balance sheet events

On the 12 January 2022, Standard Chartered Bank issued $1,250 million 3.603 per cent subordinated debt security due 2033 (callable 2032).

37. Auditor's remuneration

Auditor's remuneration is included within other general administration expenses. The amounts paid by the Group to their principal auditor, Ernst & Young LLP (EY LLP) and its associates (together EY LLP), 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.

	2021 $million	2020 $million
Audit fees for the Standard Chartered PLC Group statutory audit	**15.9**	11.0
Of which fees for the statutory audit of Standard Chartered Bank Group	**11.8**	8.1
Fees payable to EY for other services provided to the Standard Chartered Bank Group:		
Audit of Standard Chartered Bank subsidiaries	**7.0**	5.9
Total Audit fees	**22.9**	16.9
Audit -related assurance services	**2.8**	3.2
Other assurance services	**2.8**	1.9
Other non-audit services	**0.1**	0.1
Total fees payable	**28.6**	22.2

The following is a description of the type of services included within the categories listed above:

- Audit fees for the Group statutory audit are in respect of fees payable to EY LLP for the statutory audit of the consolidated financial statements of the Group and the separate financial statements of Standard Chartered PLC
- Audit-related fees consist of fees such as those for services required by law or regulation to be provided by the auditor, reviews of interim financial information, reporting on regulatory returns, reporting to a regulator on client assets and extended work performed over financial information and controls authorised by those charged with governance
- Other assurance services include agreed-upon-procedures in relation to statutory and regulatory filings
- Corporate finance transaction services are fees payable to EY LLP for issuing comfort letters

Expenses incurred in respect of their role as auditors were reimbursed to EY($0.2m). Such expenses did not exceed 1% of total fees charged above.

38. Remuneration of Directors

This table sets out salary (including salary shares), pension and benefits received in 2021 and variable remuneration awards received in respect of 2021.

	2021[1] £000	2020[2] £000
Salaries and fees	**8,588**	9,384
Pension	**553**	615
Benefits	**420**	608
Annual incentive	**3,688**	2,298
Vesting of LTIP awards	**1,282**	1,411
Total	**14,531**	14,316

1. M Ramos and A McFadyen joined the Board on 1 January and 23 February 2021 respectively
2. The values of vesting LTIP awards for 2020 have been restated based on the actual share price of £5.03 when the awards vested in March 2021

Additional information on the remuneration elements in the above single total figure table.

Salaries and fees

The total salaries of the four directors as at 1 January 2021 were £5,090,200. For two of the directors, salary is paid part in cash and part in shares which are subject to a retention period and released pro rata over five years. The number of salary shares allocated is determined based on the monetary value and the prevailing market price of the Group's shares on the date of allocation.

The total annualised fees of the Chairman and directors as at 1 January 2021 (or the date of appointment, if later) were £3,055,000.

There is no apportionment of remuneration between Standard Chartered Bank and Standard Chartered PLC.

38. Remuneration of Directors continued

Share awards

Three directors exercised share awards over Standard Chartered PLC during the year.

Pension and benefits

An explanation of pension and benefits for those directors who are also executive directors of the SC PLC Group can be found in the SC PLC Group's 2021 Directors' remuneration report on pages 141 to 180. The two directors who are also employees of the SC PLC Group received a flexible benefits allowance in alignment with the UK workforce to include a mixture of core pension and benefits provision, including private medical cover, life assurance and permanent health insurance. Some directors occasionally use a Group car service for travelling and, in some circumstances, were accompanied by their spouses to attend events.

For those directors who are also employees of the SC PLC Group, annual incentives in respect of 2021 are delivered upfront with at least 50 per cent paid in shares subject to a minimum twelve-month retention period.

Vesting of LTIP awards

The long-term incentive plan (LTIP) awards granted in March 2018 vested in March 2021, based on performance over the years 2018 to 2020. 26 per cent of these awards vested. The LTIP awards granted in March 2019 are due to vest in March 2022, based on performance over the years 2019 to 2021. Following an estimated assessment of the performance measures (RoTE with CET1 underpin, relative TSR and strategic measures), 23 per cent of these awards will vest. The final assessment of the relative TSR performance will be conducted in March 2022, the end of the three-year performance period. Based on a share price of £4.55, the three-month average to 31 December 2021, the estimated value to be delivered to the directors is £1,281,647.

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 2021 Directors' remuneration report on pages 141 to 180.

Further information on the remuneration for those directors who are also executive directors of the SC PLC Group can be round in the SC PLC Group's 2021 Directors' remuneration report on pages 141 to 180.

39. Related undertakings of the Group

As at 31 December 2021, the Group's interests in related undertakings are disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of the Group. Unless otherwise indicated, all related undertakings are held indirectly. Unless otherwise stated, the principal country of operation of each subsidiary is the same as its country of incorporation. Note 31 details undertakings that have a significant contribution to the Group's net profit or net assets.

Subsidiary undertakings

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom			
SC (Secretaries) Limited[1]	United Kingdom	£1.00 Ordinary shares	100
SC Transport Leasing 1 LTD	United Kingdom	£1.00 Ordinary shares	100
SC Transport Leasing 2 Limited	United Kingdom	£1.00 Ordinary shares	100
SC Ventures Innovation Investment L.P.	United Kingdom	Limited Partnership interest	100
SCMB Overseas Limited[1]	United Kingdom	£0.10 Ordinary shares	100
Standard Chartered Africa 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 Foundation[1,2]	United Kingdom	Guarantor	100
Standard Chartered Health Trustee (UK) Limited[1]	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Leasing (UK) 3 Limited[1]	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Leasing (UK) Limited[1]	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Nominees (Private Clients UK) Limited[1]	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Overseas Holdings Limited[1]	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[1]	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered UK Holdings Limited[1]	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 (T) LP[2]	United Kingdom	Limited Partnership interest	100
Bricks (M) LP[2]	United Kingdom	Limited Partnership interest	100
The following companies have the address of 8th Floor, 20 Farringdon Street, London, EC4A 4AB, United Kingdom.			
SC Ventures G.P. Limited[1]	United Kingdom	£1.00 Ordinary shares	100
Assembly Payments UK Ltd	United Kingdom	£1.00 Ordinary shares	100

39. Related undertakings of the Group continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 1 Bartholomew Lane, London, EC2N 2AX, United Kingdom			
Corrasi Covered Bonds LLP[1]	United Kingdom	Membership Interest	50
The following companies have the address of Thomas House, 84 Eccleston Square, London, SW1V 1PX, United Kingdom			
Zodia Custody Limited	United Kingdom	$1.00 Ordinary shares	100
Zodia Holdings Limited	United Kingdom	$1.00 Ordinary shares	100
The following company has the address of TMF Group, 8th Floor, 20 Farringdon Street, London, EC4A 4AB, United Kingdom.			
Zodia Markets (UK) Limited	United Kingdom	$1.00 Ordinary shares	100
The following company has the address of Spaces, 25 Wilton Road, Victoria, London, SW1V 1LW, United Kingdom			
Zodia Markets Holdings Limited	United Kingdom	$1.00 Ordinary shares	75.01
The following company has the address of Robert Denholm House, Beltchingley Road, Nutfield, Redhill, RH1 4HW, United Kingdom			
CurrencyFair (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
The following company has the address Edifício Kilamba, 7 Andar Avenida 4 de Fevereiro, Marginal, Luanda, Angola			
Standard Chartered Bank Angola S.A.	Angola	AOK8,742.05 Ordinary shares	60
The following company has the address of Level 5, 345 George St, Sydney NSW 2000, Australia			
Standard Chartered Grindlays Pty Limited[1]	Australia	AUD Ordinary shares	100
The following company has the address of 17/31 Queen Street, Melbourne VIC 3000, Australia			
Assembly Payments Australia Pty Ltd	Australia	$ Ordinary shares	100
The following company has the address of Wilsons Landing, Level 5, 6A Glen Street, Milsons Point NSW 2061, Australia			
CurrencyFair Australia Pty Ltd	Australia	AUD Ordinary	100
The following company has the address of Level 20, 31 Queen Street, Melbourne VIC 3000, Australia			
Zai Australia Pty Ltd	Australia	AUD0.01 Ordinary shares	100
		$1.00 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	BWP Ordinary shares	100
Standard Chartered Investment Services (Proprietary) Limited	Botswana	BWP Ordinary shares	100
Standard Chartered Bank Botswana Limited	Botswana	BWP Ordinary shares	75.8
Standard Chartered Botswana Nominees (Proprietary) Limited	Botswana	BWP Ordinary shares	100
Standard Chartered Botswana Education Trust[1,3]	Botswana	Interest in Trust	100
The following companies have the address of Avenida Brigadeiro Faria Lima, no 3.477, 6 andar, conjunto 62 – Torre Norte, Condominio Patio Victor Malzoni, CEP 04538-133, Sao Paulo, Brazil			
Standard Chartered Participacoes Ltda[1]	Brazil	BRL1.00 Ordinary shares	100
Standard Chartered Representação Ltda[1]	Brazil	BRL1.00 Ordinary shares	100

39. Related undertakings of the Group continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of G01-02, Wisma Haji Mohd Taha Building, Jalan Gadong, BE4119, Brunei Darussalam			
Standard Chartered Securities (B) Sdn Bhd[1]	Brunei Darussalam	BND1.00 Ordinary shares	100
The following company has the address of Standard Chartered Bank Cameroon S.A, 1155, Boulevard de la Liberté, Douala, B.P. 1784, Cameroon			
Standard Chartered Bank Cameroon S.A.	Cameroon	XAF10,000.00 Ordinary shares	100
The following company has the address of 66 Wellington Street, West, Suite 4100, Toronto Dominion Centre, Toronto ON M5K 1B7, Canada			
CurrencyFair (Canada) Ltd	Canada	CAN$ Common shares	100
The following company has the address of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands			
Cerulean Investments LP	Cayman Islands	Limited Partnership interest	100
The following company has the address of Maples Finance Limited, PO Box 1093 GT, Queensgate House, Georgetown, Grand Cayman, Cayman Islands			
SCB Investment Holding Company Limited[1]	Cayman Islands	$1,000.00 A Ordinary shares	100
The following company has the address of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road George Town, Grand Cayman KY1-9008, Cayman Islands			
Sirat Holdings Limited[5]	Cayman Islands	$0.01 Ordinary shares	100
The following company has the address of No. 35, Xinhuanbei Road, TEDA, Tianjin, 300457, China			
Standard Chartered Global Business Services Co., Ltd[1,4]	China	$ Ordinary shares	100
The following companies have the address of Units 61-65 (Office use only), Self-numbered Room 01-04, Room 901, No 6, Zhujiang East Road, Tianhe District, Guangzhou City, Guangdong Province, China			
Standard Chartered Global Business Services (Guangzhou) Co., Ltd.[1,4]	China	$ Ordinary shares	100
The following company has the address of Room 2619, No 9, Linhe West Road, Tianhe District, Guangzhou, China			
Guangzhou CurrencyFair Information Technology Limited	China	CNY Ordinary shares	100
The following company has the address of Standard Chartered Bank Cote d'Ivoire, 23 Boulevard de la République, Abidjan 17, 17 B.P. 1141, Cote d'Ivoire			
Standard Chartered Bank Cote d' Ivoire SA	Cote d'Ivoire	XOF100,000.00 Ordinary shares	100
The following company has the address of 8 Ecowas Avenue, Banjul, Gambia			
Standard Chartered Bank Gambia Limited	Gambia	GMD1.00 Ordinary shares	74.85
The following company has the address of Taunusanlage 16, 60325, Frankfurt am Main, Germany			
Standard Chartered Bank AG[1]	Germany	€ Ordinary shares	100
The following companies have the address of Standard Chartered Bank Building, 87 Independence Avenue, P.O. Box 768, Accra,Ghana			
Standard Chartered Bank Ghana PLC	Ghana	GHS Ordinary shares	69.4
		GHS0.52 Preference shares	87.0
Standard Chartered Ghana Nominees Limited	Ghana	GHS Ordinary shares	100

39. Related undertakings of the Group continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Standard Chartered Bank Ghana Limited, 87, Independence Avenue, Post Office Box 678, Accra, Ghana			
Standard Chartered Wealth Management Limited Company	Ghana	GHS Ordinary shares	100
The following companies have the address of 14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.			
Kozagi Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered PF Real Estate (Hong Kong) Limited	Hong Kong	$ Ordinary shares	100
The following company has the address of 13/F Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong			
Standard Chartered Private Equity Limited	Hong Kong	HKD Ordinary shares	100
The following company has the address of 21/F, Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong			
Standard Chartered Asia Limited	Hong Kong	HKD Deferred shares	100
		HKD Ordinary shares	100
		$ Ordinary shares	100
The following company has the address of 31/F, Tower 2 Times Square, 1 Matheson St, Causeway Bay, Hong Kong			
Assembly Payments HK Limited	Hong Kong	HKD Ordinary Shares	100
The following company has the address of Suites 1103-4 AXA Tower, Landmark East, 100 How Ming Street, Kwun Tong, Hong Kong			
Currencyfair Asia 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[1]	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[1]	India	INR10.00 Ordinary shares	98.68
The following company has the address of Ground Floor, Crescenzo Building, G Block, C 38/39 , Bandra Kurla Complex, Bandra (East) , Mumbai , Mumbai , Maharashtra , 400051, India			
Standard Chartered Private Equity Advisory (India) Private Limited	India	INR1,000.00 Ordinary shares	99.996
The following company has the address of Second Floor, Indiqube Edge, Khata No. 571/630/6/4, Sy.No.6/4, Ambalipura Village, Varthur Hobli, Marathahalli Sub-Division, Ward No. 150, Bengaluru, 560102, India.			
Standard Chartered Research and Technology India Private Limited	India	INR10.00 A Equity shares	100
		INR10.00 Preference shares	100
The following company has the address of Crescenzo, 6th Floor, Plot No 38-39 G Block , Bandra Kurla Complex, , Bandra East , Mumbai , Maharashtra , 400051, India			
Standard Chartered Capital Limited[1]	India	INR10.00 Equity 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 Equity shares	100

39. Related undertakings of the Group continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Ground Floor, Crescenzo Building, G Block, C 38/39 , Bandra Kurla Complex, Bandra (East) , Mumbai , Mumbai , Maharashtra , 400051, India			
St Helen's Nominees India Private Limited[1]	India	INR10.00 Equity shares	100
The following company has the address of Vaishnavi Serenity, First Floor, No. 112, Koramangala Industrial Area, 5th Block, Koramangala, Bangalore, Karnataka, 560095, India			
Standard Chartered (India) Modeling and Analytics Centre Private Limited[1]	India	INR10.00 Equity shares	100
The following companies have the address of 91 Pembroke Road, Dublin 4, Ballsbridge, Dublin, DO4 EC42, Ireland			
CurrencyFair (Canada) Limited	Ireland	€1.00 Ordinary	100
CurrencyFair Nominees Limited	Ireland	€1.00 Ordinary	100
The following companies have the address of TMF, 3rd Floor, Kilmore House, Park Lane, Spencer Dock , Dublin 1, Ireland			
Zodia Custody (Ireland) Limited	Ireland	$1.00 Ordinary shares	100
Zodia Markets (Ireland) Limited	Ireland	$1.00 Ordinary shares	100
The following company has the address of 91 Pembroke Road, Dublin 4, Ballsbridge, Dublin, DO4 EC42, Ireland			
CurrencyFair Limited	Ireland	€0.001 A Ordinary shares	100
		€0.001 Ordinary shares	27.952
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[1]	Isle of Man	$1.00 Ordinary shares	100
		$1.00 Redeemable Preference shares	100
Standard Chartered Insurance Limited[1,6]	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[1]	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[1]	Jersey	$1.00 Ordinary shares	100
The following companies have the address of StandardChartered@Chiromo, Number 48, Westlands Road, P. O. Box 30003 – 00100, Nairobi, Kenya			
Standard Chartered Bancassurance Intermediary Limited	Kenya	KES100.00 Ordinary shares	100
Standard Chartered Investment Services Limited	Kenya	KES20.00 Ordinary shares	100
Standard Chartered Bank Kenya Limited	Kenya	KES5.00 Ordinary shares	74.32
		KES5.00 Preference shares	100
Standard Chartered Securities (Kenya) Limited	Kenya	KES10.00 Ordinary shares	100
Standard Chartered Financial Services Limited	Kenya	KES20.00 Ordinary shares	100
Standard Chartered Kenya Nominees Limited	Kenya	KES20.00 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

39. Related undertakings of the Group continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of Level 26, Equatorial Plaza, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia			
Cartaban (Malaya) Nominees Sdn Berhad	Malaysia	RM Ordinary shares	100
Cartaban Nominees (Asing) Sdn Bhd	Malaysia	RM Ordinary shares	100
Cartaban Nominees (Tempatan) Sdn Bhd	Malaysia	RM Ordinary shares	100
Golden Maestro Sdn Bhd	Malaysia	RM Ordinary shares	100
Price Solutions Sdn Bhd	Malaysia	RM Ordinary shares	100
SCBMB Trustee Berhad	Malaysia	RM Ordinary shares	100
Standard Chartered Bank Malaysia Berhad	Malaysia	RM Irredeemable Convertible Preference shares	100
		RM Ordinary shares	100
Standard Chartered Saadiq Berhad	Malaysia	RM Ordinary shares	100
The following company has the address of Suite 18-1, Level 18, Vertical Corporate Tower B, Avenue 10, The Vertical, Bangsar South City , No. 8, Jalan Kerinchi , 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia			
Resolution Alliance Sdn Bhd	Malaysia	RM Ordinary shares	91
		RM Irredeemable Preference shares	100
The following company has the address of Level 1, Wisma Standard Chartered, Jalan Teknologi 8, Taman Teknologi Malaysia, 57000 Bukit Jalil, Kuala Lumpur, Wilayah Persekutuan, Malaysia			
Standard Chartered Global Business Services Sdn Bhd[1]	Malaysia	RM Ordinary shares	100
The following company has the address of 10th Floor, Menara Hap Seng, No. 1&3, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia			
Assembly Payments Malaysia Sdn. Bhd.	Malaysia	RM Ordinary shares	100
The following company has the address of 6/F, Standard Chartered Tower, 19, Bank Street, Cybercity, Ebene, 72201, Mauritius			
Standard Chartered Bank (Mauritius) Limited[1]	Mauritius	$ Ordinary shares	100
The following companies have the address of c/o Ocorian Corporate Services (Mauritius) Ltd, 6th Floor, Tower A, 1 Cybercity, Ebene, 72201, Mauritius			
Standard Chartered Financial Holdings[1]	Mauritius	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) Limited[1]	Mauritius	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) II Limited	Mauritius	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) III Limited	Mauritius	$1.00 Ordinary shares	100
The following company has the address of Mondial Management Services Ltd, Unit 2L, 2nd Floor Standard Chartered Tower, 19 Cybercity, Ebene, Mauritius			
Subcontinental Equities Limited	Mauritius	$1.00 Ordinary shares	100
The following company has the address of SGG Corporate Services (Mauritius) Ltd, 33, Edith Cavell Street, Port Louis, 11324, Mauritius			
Actis Treit Holdings (Mauritius) Limited[2]	Mauritius	Class A $1.00 Ordinary shares	62.001
		Class B $1.00 Ordinary shares	62.001

39. Related undertakings of the Group continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Standard Chartered Bank Nepal Limited, Madan Bhandari Marg, Ward No.34, Kathmandu Metropolitan City, Kathmandu District, Bagmati Zone, Kathmandu, Nepal			
Standard Chartered Bank Nepal Limited	Nepal	NPR100.00 Ordinary shares	70.21
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom			
Standard Chartered Holdings (Africa) B.V.[6]	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings (Asia Pacific) B.V.[6]	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings (International) B.V.[6]	Netherlands	€4.50 Ordinary shares	100
Standard Chartered MB Holdings B.V.[6]	Netherlands	€4.50 Ordinary shares	100
The following company has the address of 4 All good Place, Rototuna North, Hamilton, New Zealand, 3210			
PromisePay Limited	New Zealand	NZD Ordinary shares	100
The following companies have the address of 142, Ahmadu Bello Way, Victoria Island, Lagos, 101241, Nigeria			
Cherroots Nigeria Limited	Nigeria	NGN1.00 Ordinary Shares	100
Standard Chartered Bank Nigeria Limited	Nigeria	NGN1.00 Irredeemable Non Cumulative Preference shares	100
		NGN1.00 Ordinary shares	100
		NGN1.00 Redeemable Preference shares	100
Standard Chartered Capital & Advisory Nigeria Limited	Nigeria	NGN1.00 Ordinary shares	100
Standard Chartered Nominees (Nigeria) Limited	Nigeria	NGN1.00 Ordinary shares	100
The following company has the address of P.O. Box No. 5556I.I. Chundrigar Road, Karachi, 74000, Pakistan			
Standard Chartered Bank (Pakistan) Limited[1]	Pakistan	PKR10.00 Ordinary shares	98.99
The following company has the address of Rondo Ignacego Daszyńskiego 2B, 00-843, Warsaw, Poland			
Standard Chartered Global Business Services spółka z ograniczoną odpowiedzialnością[1]	Poland	PLN50.00 Ordinary shares	100
The following company has the address of Al Faisaliah Office Tower Floor No 7 (T07D) , King Fahad Highway, Olaya District, Riyadh P.O box 295522 , Riyadh, 11351 , Saudi Arabia			
Standard Chartered Capital (Saudi Arabia)[1]	Saudi Arabia	SAR10.00 Ordinary shares	100
The following company has the address of 9 & 11, Lightfoot Boston Street, Freetown, Sierra Leone			
Standard Chartered Bank Sierra Leone Limited	Sierra Leone	SLL1.00 Ordinary shares	80.7
The following companies have the address of 9 Raffles Place, #27-00 Republic Plaza, 048619, Singapore			
Actis Treit Holdings No.1 (Singapore) Private Limited[2]	Singapore	SGD Ordinary	100
Actis Treit Holdings No.2 (Singapore) Private Limited[2]	Singapore	SGD Ordinary	100
The following company has the address of 8 Marina Boulevard, Level 26, Marina Bay Financial Centre, Tower 1, 018981, Singapore			
Raffles Nominees (Pte.) Limited	Singapore	SGD Ordinary shares	100

39. Related undertakings of the Group continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 8 Marina Boulevard, #27-01 Marina Bay Financial Centre Tower 1, 018981, Singapore			
SCTS Capital Pte. Ltd	Singapore	SGD Ordinary shares	100
SCTS Management Pte. Ltd.	Singapore	SGD Ordinary shares	100
Standard Chartered Bank (Singapore) Limited	Singapore	SGD Ordinary shares	100
		SGD Non-cumulative Preference shares	100
		SGD Non-cumulative Class C Preference shares	100
		$ Ordinary shares	100
		$ Preference shares	100
Standard Chartered Trust (Singapore) Limited[1]	Singapore	SGD Ordinary shares	100
Standard Chartered Holdings (Singapore) Private Limited[1]	Singapore	SGD Ordinary shares	100
		$ Ordinary shares	100
Standard Chartered Nominees (Singapore) Pte Ltd[1]	Singapore	SGD Ordinary shares	100
The following companies have the address of 80 Robinson Road, #02-00, 068898, Singapore			
Autumn Life Pte. Ltd.	Singapore	$ Ordinary shares	100
Cardspal Pte. Ltd.	Singapore	$ Ordinary shares	100
Nexco Pte. Ltd.	Singapore	$ Ordinary shares	100
Discovery Technology Services Pte. Ltd.	Singapore	$ Ordinary shares	100
SCV Research and Development Pte. Ltd.	Singapore	$ Ordinary shares	100
Power2SME Pte. Ltd.	Singapore	$ Ordinary shares	100
SCV Master Holding Company Pte. Ltd.	Singapore	$ Ordinary shares	100
Pegasus Dealmaking Pte. Ltd.	Singapore	$ Ordinary shares	100
Solv-India Pte. Ltd.	Singapore	$ Ordinary shares	100
The following companies have the address of 140 Robinson Road, #17-01, Crown At Robinson, Singapore, 068907, Singapore			
Trust Bank Singapore Limited	Singapore	SGD Ordinary shares	60
CurrencyFair (Singapore) Pte.Ltd	Singapore	SGD Ordinary shares	100
The following companies have the address of 38 Beach Road, #29-11 South Beach Tower, 189767, Singapore			
Assembly Payments SGP Pte. Ltd.	Singapore	SGD Ordinary shares	100
Assembly Payments Pte. Ltd.	Singapore	$ Ordinary shares	100
		$ Preference 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[1]	Singapore	$ Ordinary	50
The following companies have the address of 2nd Floor, 115 West Street, Sandton, Johannesburg, 2196, South Africa			
CMB Nominees (RF) PTY Limited[1]	South Africa	ZAR1.00 Ordinary shares	100
Standard Chartered Nominees South Africa Proprietary Limited (RF)[1]	South Africa	ZAR Ordinary shares	100
The following company has the address of 6 Fort Street, PO 785848, , Birnam, Sandton, 2196 2146, South Africa			
Promisepay (PTY) Ltd	South Africa	ZAR1.00 Ordinary	100

39. Related undertakings of the Group continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 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, Republic of	TZS1,000.00 Ordinary shares	100
		TZS1,000.00 Preference shares	100
Standard Chartered Tanzania Nominees Limited	Tanzania, Republic of	TZS1,000.00 Ordinary shares	100
The following company has the address of 100 North Sathorn Road, Silom, Bangrak Bangkok , 10500, Thailand			
Standard Chartered Bank (Thai) Public Company Limited	Thailand	THB10.00 Ordinary shares	99.90
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[1]	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 251 Little Falls Drive, Wilmington DE 19808, United States			
CurrencyFair (USA) Inc	United States	US$1.00 Uncertificated Shares	100
The following company has the address of 505 Howard St. #201, San Francisco, CA 94105, United States			
SC Studios, LLC[1]	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[1]	United States	$1,000.00 Ordinary shares	100
The following companies have the address of Corporation Trust Centre, 1209 Orange Street, Wilmington DE 19801, United States			
Standard Chartered Holdings Inc.[1]	United States	$100.00 Common shares	100
Standard Chartered Securities (North America) LLC	United States	Membership Interest	100
The following company has the address of 50 Fremont Street, San Francisco CA 94105, United States			
Standard Chartered Overseas Investment, Inc.	United States	$10.00 Ordinary shares	100
The following company has the address of C/O Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States			
Standard Chartered Trade Services Corporation	United States	$0.01 Common shares	100
The following company has the address of 25 Taylor St, San Francisco, CA, 94102-3916			
Assembly Escrow Inc	United States	$0.0001 Ordinary	100
The following company has the address of 555 Washington Av, St Louis, MO, United States of America, 63101			
Assembly Payments, Inc	United States	$0.0001 Ordinary	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[7]	Virgin Islands, British	$1.00 Ordinary shares	100

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
Sky Harmony Holdings Limited[7]	Virgin Islands, British	$1.00 Ordinary shares	100
The following companies have the address of Stand No. 4642, Corner of Mwaimwena Road and Addis Ababa Dri, Lusaka, Zambia, 10101, Zambia			
Standard Chartered Bank Zambia Plc	Zambia	ZMW0.25 Ordinary shares	90
Standard Chartered Zambia Securities Services Nominees Limited	Zambia	ZMW1.00 Ordinary shares	100
The following companies have the address of Africa Unity Square Building, 68 Nelson Mandela Avenue, Harare, Zimbabwe			
Africa Enterprise Network Trust[3]	Zimbabwe	Interest in Trust	100
Standard Chartered Bank Zimbabwe Limited	Zimbabwe	$1.00 Ordinary shares	100
Standard Chartered Nominees Zimbabwe (Private) Limited	Zimbabwe	$2.00 Ordinary shares	100

1 Directly held related undertaking

2 The Group has determined that these undertakings are excluded from being consolidated into the Groups accounts, and do not meet the definition of a Subsidiary under IFRS. See notes 31 and 32 for the consolidation policy and disclosure of the undertaking.

3 No share capital by virtue of being a trust

4 Limited liability company

5 The Group has determined the prinicpal place of operation to be Singapore

6 The Group has determined the prinicpal place of operation to be United Kingdom

7 The Group has determined the prinicpal place of operation to be Hong Kong

Joint ventures

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Tricor WP Corporate Services Pte Ltd, 80 Robinson Road #02-00, 068898, Singapore			
Olea Global Pte. Ltd.	Singapore	$ Ordinary shares	50
		$ Preference shares	100

Associates

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Work.Life, 33 Foley Street , London, W1W 7TL, United Kingdom			
Fintech for International Development Ltd	United Kingdom	$0.0001 Ordinary-A	58.901
The following company has the address of 3 More London Riverside,London, England, SE1 2AQ, United Kingdom			
Trade Information Network Limited[1]	United Kingdom	$1.00 Ordinary shares	16.667
The following company has the address of 1 Raffles Quay, #23-01, One Raffles Quay, 048583, Singapore			
Clifford Capital Holdings Pte. Ltd.	Singapore	$1.00 Ordinary shares	9.9
The following company has the address of 10 Marina Boulevard #08-08, Marina Bay, Financial Centre, 018983, Singapore			
Verified Impact Exchange Holdings Pte. Ltd	Singapore	$ Ordinary shares	15
		$ Redeemable Convertible Preference shares	28.571
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 Avenue de Tivoli 2, 1007, Lausanne, Switzerland			
Metaco SA	Switzerland	CHF 0.01 Preference A Shares	29.505

1 Directly held related undertaking

39. Related undertakings of the Group continued

Significant investment holdings and other related undertakings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 1 Bartholomew Lane, London, EC2N 2AX, United Kingdom			
Corrasi Covered Bonds (LM) Limited[1]	United Kingdom	£1.00 Ordinary	20
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 Ordinary-A shares	5.272
		$0.01 Ordinary-B shares	100
The following company has the address of 3, Floor 1, No.1, Shiner Wuxingcaiyuan, West Er Huan Rd, , Xi Shan District, Kunming, Yunnan Province, PRC , China			
Yunnan Golden Shiner Property Development Co., Ltd.	China	CNY1.00 Ordinary shares	42.5
The following companies have the address of Unit 605-08, 6/F Wing On Centre, 111 Connaught Road, Central, Sheung Wan, Hong Kong			
Actis Carrock Holdings (HK) Limited	Hong Kong	$ Class A Ordinary shares	39.689
		$ Class B Ordinary shares	39.689
Actis Temple Stay Holdings (HK) Limited	Hong Kong	$ Class A Ordinary shares	39.689
		$ Class B Ordinary shares	39.689
Actis Jack Holdings (HK) Limited	Hong Kong	$ Class A Ordinary shares	39.689
		$ Class B Ordinary shares	39.689
Actis Rivendell Holdings (HK) Limited	Hong Kong	$ Class A Ordinary shares	39.689
		$ Class B Ordinary shares	39.689
Actis Young City Holdings (HK) Limited	Hong Kong	$ Class A Ordinary shares	39.689
		$ Class B Ordinary shares	39.689
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 4thFloor, 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 17F, 100, Gongpyeong-dong, Jongno-gu, Seoul, Korea, Republic of Korea			
Ascenta III	Korea	KRW Class B Equity Interest	31
The following company has the address of 49, Sungei Kadut Avenue, #03-01 S729673, Singapore			
Omni Centre Pte. Ltd.	Singapore	SGD Redeemable Convertible Preference shares	99.998
The following companies have the address of 251 Little Falls Drive, Wilmington, New Castle DE 19808, United States			
Paxata, Inc.	United States	US$0.0001 Series C2 Preferred Stock	40.74
		US$0.0001 Series C2 Preferred Stock	10.11

1 Directly held related undertaking

39. Related undertakings of the Group continued

In liquidation

Subsidiary undertakings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of C/O Teneo Restructuring Limited 156 Great Charles Street Queensway Birmingham West Midlands B3 3HN			
Compass Estates Limited[1]	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Masterbrand Licensing Limited[1]	United Kingdom	$1.00 Ordinary Shares	100
The following companies have the address of Bucktrout House, Glategny Esplanade, St Peter Port, GY1 3HQ, 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[1]	Guernsey	£1.00 Ordinary shares	100
The following company has the address of 8/Floor, Gloucester Tower , The Landmark, 15 Queen's Road Central, Hong Kong			
Leopard Hong Kong Limited[1]	Hong Kong	$ Ordinary shares	100
The following company has the address of Menara Standard Chartered, 3rd Floor, Jl. Prof.Dr. Satrio no. 164, Setiabudi, Jarkarta Selatan, Indonesia			
PT Solusi Cakra Indonesia (dalam likuidasi)[1]	Indonesia	IDR23,809,600.00 Ordinary shares	99
The following company has the address of No. 157 – 157 A, Jakarta Barat, 11130, Indonesia.			
PT. Price Solutions Indonesia (dalam likuidasi)	Indonesia	$100.00 Ordinary shares	100
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.[1]	Luxembourg	€25.00 Ordinary shares	100
The following company has the address of Level 26, Equatorial Plaza, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia			
Popular Ambience Sdn Bhd	Malaysia	RM Ordinary shares	100
The following company has the address of C/o IQ EQ Corporate Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, 11324, Mauritius			
FAI Limited	Mauritius	US$1.00 Ordinary shares	76.60
The following company has the address of Jiron Huascar 2055, Jesus Maria, Lima 15072, Peru			
Banco Standard Chartered en Liquidacion[1]	Peru	$75.133 Ordinary shares	100
The following company has the address of 8 Marina Boulevard, Level 27, Marina Bay Financial Centre, Tower 1, 018981, Singapore			
Standard Chartered (2000) Limited	Singapore	SGD1.00 Ordinary shares	100
The following company has the address of Luis Alberto de Herrera 1248, Torre II, Piso 11, Esc. 1111, Uruguay			
Standard Chartered Uruguay Representacion S.A.[1]	Uruguay	UYU1.00 Ordinary shares	100

1 Directly held related undertaking

39. Related undertakings of the Group continued

Significant investment holdings and other related undertakings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 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

Liquidated/dissolved/sold

Subsidiary undertakings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
SC Leaseco Limited[1]	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered APR Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Finance (Brunei) Bhd	Brunei Darussalam	BND1.00 Ordinary shares	100
Standard Chartered Principal Finance (Cayman) Limited[1]	Cayman Islands	$0.0001 Ordinary shares	100
Sunflower Cayman SPC[1]	Cayman Islands	$1.00 Management shares	100
Ori Private Limited	Hong Kong	$ Ordinary shares	100
		$ A Ordinary shares	90.7
S C Learning Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered Sherwood (HK) Limited	Hong Kong	HKD Ordinary shares	100
Resolution Alliance Korea Ltd[2]	Korea, Republic of	KRW5,000.00 Ordinary shares	100
Actis Asia Real Estate (Mauritius) Limited	Mauritius	Class A $1.00 Ordinary shares	100
		Class B $1.00 Ordinary shares	100
Kwang Hua Mocatta Company Ltd.	Taiwan	TWD1,000.00 Ordinary shares	97.92
Actis RE Investment 1 Private Limited	Singapore	SGD Ordinary shares	100
Actis RE Investment 2 Private Limited	Singapore	SGD Ordinary shares	100
Actis RE Investment 3 Private Limited	Singapore	SGD Ordinary shares	100
Actis RE Investment 4 Private Limited	Singapore	SGD Ordinary shares	100
Standard Chartered Capital Management (Jersey), LLC	United States	$ Ordinary shares	100
Standard Chartered International (USA) LLC	United States	Membership Interest	100
StanChart Securities International LLC	United States	Membership Interest	100

1 Directly held related undertaking

2 The Group has determined the principal country of operation to be Singapore

40. Group reorganisation

The PLC Group has completed a Group reorganisation. The purpose of the reorganisation is to form a holding company structure (a "Singapore Hub") with Standard Chartered Bank (Singapore) Limited ("SCB SL") acquiring ownership of 100% of Standard Chartered Bank Malaysia Berhad ("SCB MY") and Standard Chartered Bank (Vietnam) Limited ("SCB VN"), and 99.871% of Standard Chartered Bank (Thai) Public Company Limited ("SCB TH"). The Group will not change with SCB SL still consolidated into the Group.

On 1 September 2021, SCB SL purchased SCB MY from Standard Chartered Holdings (Asia Pacific) B.V. ("SCHAP") for a fair value $1,273m in cash, resulting in a profit on sale for SCHAP of $1,064m. SCHAP is a wholly owned subsidiary of the Group. SCHAP following the sale of SCB MY distributed a dividend of $1,211m up the chain to the Company. The Company further distributed this dividend up to its parent Standard Chartered Holdings limited.

On 1 November 2021, SCB SL purchased SCB TH directly from the Company for the issuance of SCB SL share capital. SCB SL paid a fair value of $733m, resulting in a loss on sale for the Company of $50m. The Company concurrently received $530m in cash as a result of a share buy-back transaction of its subsidiary Standard Chartered Holdings Singapore Limited.

On 1 December 2021, SCB SL purchased SCB VN directly from the Company for the issuance of SCB SL share capital. SCB SL paid a fair value of $333m, resulting in a profit on sale for the Company of $6m.

Glossary

AT1 or Additional Tier 1 capital
Additional Tier 1 capital consists of instruments other than Common Equity Tier 1 that meet the Capital Requirements Regulation (CRR) criteria for inclusion in Tier 1 capital.

Additional value adjustment
See Prudent valuation adjustment.

Advanced Internal Rating Based (AIRB) approach
The AIRB approach under the Basel framework is used to calculate credit risk capital based on the Group's own estimates of prudential parameters.

Alternative performance measures
A financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

ASEAN
Association of South East Asian Nations (ASEAN) which includes the Group's operations in Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

AUM or Assets under management
Total market value of assets such as deposits, securities and funds held by the Group on behalf of the clients.

Basel II
The capital adequacy framework issued by the Basel Committee on Banking Supervision (BCBS) in June 2006 in the form of the International Convergence of Capital Measurement and Capital Standards.

Basel III
The global regulatory standards on bank capital adequacy and liquidity, originally issued in December 2010 and updated in June 2011. In December 2017, the BCBS published a document setting out the finalisation of the Basel III framework. The latest requirements issued in December 2017 will be implemented from 2022.

BCBS or Basel Committee on Banking Supervision
A forum on banking supervisory matters which develops global supervisory standards for the banking industry. Its members are officials from 45 central banks or prudential supervisors from 27 countries and territories.

Basis point (bps)
One hundredth of a per cent (0.01 per cent); 100 basis points is 1 per cent.

CRD or Capital Requirements Directive
A capital adequacy legislative package adopted by the PRA. CRD comprises the Capital Requirements Directive and the UK onshored 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. The EU CRR II and CRD V amending the existing package came into force in June 2019 with most changes starting to apply from 28 June 2021. Only those parts of the EU CRR II that applied on or before 31 December 2020, when the UK was a member of the EU, have been implemented. The PRA recently finalised the UK's version of the CRR II for implementation on 1 January 2022.

Capital-lite income
Income derived from products with low RWA consumption or products which are non-funding in nature.

Capital resources
Sum of Tier 1 and Tier 2 capital after regulatory adjustments.

CGU or Cash-generating unit
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Cash shortfall
The difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive over the contractual life of the instrument.

Clawback
An amount an individual is required to pay back to the Group, which has to be returned to the Group under certain circumstances.

Commercial real estate
Includes office buildings, industrial property, medical centres, hotels, malls, retail stores, shopping centres, farm land, multi-family housing buildings, warehouses, garages, and industrial properties. Commercial real estate loans are those backed by a package of commercial real estate assets.

CET1 or Common Equity Tier 1 capital
Common Equity Tier 1 capital consists of the common shares issued by the Group and related share premium, retained earnings, accumulated other comprehensive income and other disclosed reserves, eligible non-controlling interests and regulatory adjustments required in the calculation of Common Equity Tier 1.

CET1 ratio
A measure of the Group's CET1 capital as a percentage of risk-weighted assets.

Contractual maturity
Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal and interest is due to be paid.

Countercyclical capital buffer
The countercyclical capital buffer (CCyB) is part of a set of macroprudential instruments, designed to help counter procyclicality in the financial system. CCyB as defined in the Basel III standard provides for an additional capital requirement of up to 2.5 per cent of risk-weighted assets in a given jurisdiction. The Bank of England’s Financial Policy Committee has the power to set the CCyB rate for the United Kingdom. Each bank must calculate its ‘institution-specific’ CCyB rate, defined as the weighted average of the CCyB rates in effect across the jurisdictions in which it has credit exposures. The institution-specific CCyB rate is then applied to a bank’s total risk-weighted assets.

Counterparty credit risk
The risk that a counterparty defaults before satisfying its obligations under a derivative, a securities financing transaction (SFT) or a similar contract.

CCF or Credit conversion factor
An estimate of the amount the Group expects a customer to have drawn further on a facility limit at the point of default. This is either prescribed by CRR or modelled by the bank.

CDS or Credit default swaps
A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.

Credit institutions
An institution whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account.

Credit risk mitigation
Credit risk mitigation is a process to mitigate potential credit losses from any given account, customer or portfolio by using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and guarantees.

CVA or Credit valuation adjustments
An adjustment to the fair value of derivative contracts that reflects the possibility that the counterparty may default such that the Group would not receive the full market value of the contracts.

Customer accounts
Money deposited by all individuals and companies which are not credit institutions including securities sold under repurchase agreement (see repo/reverse repo). Such funds are recorded as liabilities in the Group’s balance sheet under customer accounts.

Days past due
One or more days that interest and/or principal payments are overdue based on the contractual terms.

DVA or Debit valuation adjustment
An adjustment to the fair value of derivative contracts that reflects the possibility that the Group may default and not pay the full market value of contracts.

Debt securities
Debt securities are assets on the Group's balance sheet and represent certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by central banks.

Debt securities in issue
Debt securities in issue are transferable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.

Deferred tax asset
Income taxes recoverable in future periods in respect of deductible temporary differences between the accounting and tax base of an asset or liability that will result in tax deductible amounts in future periods, the carry-forward of tax losses or the carry-forward of unused tax credits.

Deferred tax liability
Income taxes payable in future periods in respect of taxable temporary differences between the accounting and tax base of an asset or liability that will result in taxable amounts in future periods.

Default
Financial assets in default represent those that are at least 90 days past due in respect of principal or interest and/or where the assets are otherwise considered to be unlikely to pay, including those that are credit-impaired.

Defined benefit obligation
The present value of expected future payments required to settle the obligations of a defined benefit scheme resulting from employee service.

Defined benefit scheme
Pension or other post-retirement benefit scheme other than a defined contribution scheme.

Defined contribution scheme
A pension or other post-retirement benefit scheme where the employer's obligation is limited to its contributions to the fund.

Delinquency
A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as arrears.

Deposits by banks
Deposits by banks comprise amounts owed to other domestic or foreign credit institutions by the Group including securities sold under repo.

Dividend per share
Represents the entitlement of each shareholder in the share of the profits of the Company. Calculated in the lowest unit of currency in which the shares are quoted.

Early alert, purely and non-purely precautionary
A borrower's account which exhibits risks or potential weaknesses of a material nature requiring closer monitoring, supervision, or attention by management. Weaknesses in such a borrower's account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded to credit grade 12 or worse. When an account is on early alert, it is classified as either purely precautionary or non-purely precautionary. A purely precautionary account is one that exhibits early alert characteristics, but these do not present any imminent credit concern. If the symptoms present an imminent credit concern, an account will be considered for classification as non-purely precautionary.

Effective tax rate
The tax on profit/(losses) on ordinary activities as a percentage of profit/(loss) on ordinary activities before taxation.

Encumbered assets
On-balance sheet assets pledged or used as collateral in respect of certain of the Group's liabilities.

EU or European Union
The European Union (EU) is a political and economic union of 27 member states that are located primarily in Europe.

Eurozone
Represents the 19 EU countries that have adopted the euro as their common currency.

ECL or Expected credit loss
Represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee.

Expected loss
The Group measure of anticipated loss for exposures captured under an internal ratings-based credit risk approach for capital adequacy calculations. It is measured as the Group-modelled view of anticipated loss based on probability of default, loss given default and exposure at default, with a one-year time horizon.

Exposures
Credit exposures represent the amount lent to a customer, together with any undrawn commitments.

EAD or Exposure at default
The estimation of the extent to which the Group may be exposed to a customer or counterparty in the event of, and at the time of, that counterparty's default. At default, the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit.

ECAI or External Credit Assessment Institution
External credit ratings are used to assign risk-weights under the standardised approach for sovereigns, corporates and institutions. The external ratings are from credit rating agencies that are registered or certified in accordance with the credit rating agencies regulation or from a central bank issuing credit ratings which is exempt from the application of this regulation.

FCA or Financial Conduct Authority
The Financial Conduct Authority regulates the conduct of financial firms and, for certain firms, prudential standards in the UK. It has a strategic objective to ensure that the relevant markets function well.

Forbearance
Forbearance takes place when a concession is made to the contractual terms of a loan in response to an obligor's financial difficulties. The Group classifies such modified loans as either 'Forborne – not impaired loans' or 'Loans subject to forbearance – impaired'. Once a loan is categorised as either of these, it will remain in one of these two categories until the loan matures or satisfies the 'curing' conditions described in Note 8 to the financial statements.

Forborne – not impaired loans
Loans where the contractual terms have been modified due to financial difficulties of the borrower, but the loan is not considered to be impaired. See 'Forbearance'.

Funded/unfunded exposures
Exposures where the notional amount of the transaction is funded or unfunded. Represents exposures where a commitment to provide future funding is made but funds have been released/not released.

FVA or Funding valuation adjustments
FVA reflects an adjustment to fair value in respect of derivative contracts that reflects the funding costs that the market participant would incorporate when determining an exit price.

G-SIBs or Global Systemically Important Banks
Global banking financial institutions whose size, complexity and systemic interconnectedness mean that their distress or failure would cause significant disruption to the wider financial system and economic activity. The list of G-SIBs is assessed under a framework established by the FSB and the BCBS. In the UK, the G-SIB framework is implemented via the CRD and G-SIBs are referred to as Global Systemically Important Institutions (G-SIIs).

G-SIB buffer
A CET1 capital buffer which results from designation as a G-SIB. The G-SIB buffer is between 1 per cent and 3.5 per cent, depending on the allocation to one of five buckets based on the annual scoring. In the EU, the G-SIB buffer is implemented via CRD IV as Global Systemically Important Institutions (G-SII) buffer requirement.

Hong Kong regional hub
Standard Chartered Bank (Hong Kong) Limited and its subsidiaries including the primary operating entities in China, Korea and Taiwan. Standard Chartered PLC is the ultimate parent company of Standard Chartered Bank (Hong Kong) Limited.

Interest rate risk
The risk of an adverse impact on the Group's income statement due to changes in interest rates.

IRB or internal ratings-based approach
Risk-weighting methodology in accordance with the Basel Capital Accord where capital requirements are based on a firm's own estimates of prudential parameters.

Internal model approach
The approach used to calculate market risk capital and RWA with an internal market risk model approved by the PRA under the terms of CRD/CRR.

IAS or International Accounting Standard
A standard that forms part of the International Financial Reporting Standards framework.

IASB or International Accounting Standards Board
An independent standard-setting body responsible for the development and publication of IFRS, and approving interpretations of IFRS standards that are recommended by the IFRS Interpretations Committee (IFRIC).

IFRS or International Financial Reporting Standards
A set of international accounting standards developed and issued by the International Accounting Standards Board, consisting of principles-based guidance contained within IFRSs and IASs. All companies that have issued publicly traded securities in the EU are required to prepare annual and interim reports under IFRS and IAS standards that have been endorsed by the EU.

IFRIC
The IFRS Interpretations Committee supports the IASB in providing authoritative guidance on the accounting treatment of issues not specifically dealt with by existing IFRSs and IASs.

Investment grade
A debt security, treasury bill or similar instrument with a credit rating measured by external agencies of AAA to BBB.

Leverage ratio
A ratio introduced under CRD 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.

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 to customers
This represents lending made under bilateral agreements with customers entered into in the normal course of business and is based on the legal form of the instrument.

Loans and advances to banks
Amounts loaned to credit institutions including securities bought under Reverse repo.

LTV or loan-to-value ratio
A calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The loan-to-value ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

Loans past due
Loans on which payments have been due for up to a maximum of 90 days including those on which partial payments are being made.

Loans subject to forbearance – impaired
Loans where the terms have been renegotiated on terms not consistent with current market levels due to financial difficulties of the borrower. Loans in this category are necessarily impaired. See 'Forbearance'.

Loss rate
Uses an adjusted gross charge-off rate, developed using monthly write-off and recoveries over the preceding 12 months and total outstanding balances.

LGD or Loss given default
The percentage of an exposure that a lender expects to lose in the event of obligor default.

Low returning clients
See 'Perennial sub-optimal clients'.

Malus
An arrangement that permits the Group to prevent vesting of all or part of the amount of an unvested variable remuneration award, due to a specific crystallised risk, behaviour, conduct or adverse performance outcome.

Master netting agreement
An agreement between two counterparties that have multiple derivative contracts with each other that provides for the net settlement of all contracts through a single payment, in a single currency, in the event of default on, or termination of, any one contract.

Mezzanine capital
Financing that combines debt and equity characteristics. For example, a loan that also confers some profit participation to the lender.

MREL or minimum requirement for own funds and eligible liabilities
A requirement under the Bank Recovery and Resolution Directive for EU resolution authorities to set a minimum requirement for own funds and eligible liabilities for banks, implementing the FSB's Total Loss Absorbing Capacity (TLAC) standard. MREL is intended to ensure that there is sufficient equity and specific types of liabilities to facilitate an orderly resolution that minimises any impact on financial stability and ensures the continuity of critical functions and avoids exposing taxpayers to loss.

Net asset value (NAV) per share
Ratio of net assets (total assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.

Net exposure
The aggregate of loans and advances to customers/loans and advances to banks after impairment provisions, restricted balances with central banks, derivatives (net of master netting agreements), investment debt and equity securities, and letters of credit and guarantees.

NII or Net interest income
The difference between interest received on assets and interest paid on liabilities.

NSFR or Net stable funding ratio
The ratio of available stable funding to required stable funding over a one-year time horizon, assuming a stressed scenario. It is a longer-term liquidity measure designed to restrain the amount of wholesale borrowing and encourage stable funding over a one-year time horizon.

NPLs or non-performing loans
An NPL is any loan that is more than 90 days past due or is otherwise individually impaired. This excludes Retail loans renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected.

Non-linearity
Non-linearity of expected credit loss occurs when the average of expected credit loss for a portfolio is higher than the base case (median) due to the fact that bad economic environment could have a larger impact on ECL calculation than good economic environment.

Normalised items
See 'Underlying/Normalised' on page 176.

Operating expenses
Staff and premises costs, general and administrative expenses, depreciation and amortisation. Underlying operating expenses exclude expenses as described in 'Underlying earnings'. A reconciliation between underlying and statutory earnings is contained in Note 2 to the financial statements.

Operating income or operating profit
Net interest, net fee and net trading income, as well as other operating income. Underlying operating income represents the income line items above, on an underlying basis. See 'Underlying earnings'.

OTC or Over-the-counter derivatives
A bilateral transaction (e.g. derivatives) that is not exchange traded and that is valued using valuation models.

OCA or Own credit adjustment
An adjustment to the Group's issued debt designated at fair value through profit or loss that reflects the possibility that the Group may default and not pay the full market value of the contracts.

Perennial sub-optimal clients
Clients that have returned below 3% return on risk-weighted assets for the last three years

Physical risks
The risk of increased extreme weather events including flood, drought and sea level rise.

Pillar 1
The first pillar of the three pillars of the Basel framework which provides the approach to calculation of the minimum capital requirements for credit, market and operational risk. Minimum capital requirements are 8 per cent of the Group's risk-weighted assets.

Pillar 2
The second pillar of the three pillars of the Basel framework which requires banks to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other suitable mitigants are not available.

Pillar 3
The third pillar of the three pillars of the Basel framework which aims to provide a consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk practices.

Priority Banking
Priority Banking customers are individuals who have met certain criteria for deposits, AUM, mortgage loans or monthly payroll. Criteria varies by country.

Private equity investments
Equity securities in operating companies generally not quoted on a public exchange. Investment in private equity often involves the investment of capital in private companies. Capital for private equity investment is raised by retail or institutional investors and used to fund investment strategies such as leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.

PD or Probability of default
PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation over a given time horizon.

Probability weighted
Obtained by considering the values the metric can assume, weighted by the probability of each value occurring.

Profit (loss) attributable to ordinary shareholders
Profit (loss) for the year after non-controlling interests and dividends declared in respect of preference shares classified as equity.

PVA or Prudent valuation adjustment
An adjustment to CET1 capital to reflect the difference between fair value and prudent value positions, where the application of prudence results in a lower absolute carrying value than recognised in the financial statements.

PRA or Prudential Regulation Authority
The Prudential Regulation Authority is the statutory body responsible for the prudential supervision of banks, building societies, credit unions, insurers and a small number of significant investment firms in the UK. The PRA is a part of the Bank of England.

Regulatory consolidation
The regulatory consolidation of Standard Chartered PLC differs from the statutory consolidation in that it includes Ascenta IV, Olea Global Pte.Ltd. Seychelles International Mercantile Banking Corporation Limited.,and all of the legal entities in the Currency Fair group on a proportionate consolidation basis. These entities are considered associates for statutory accounting purposes.

The regulatory consolidation further excludes the following entities, which are consolidated for statutory accounting purposes;, Autumn Life Pte. Ltd., Cardspal Pte. Ltd. Discovery Technology Services Pte. Ltd, Nexco Pte. Ltd, SCV Research and Development Pte. Ltd., Standard Chartered Assurance Limited, Standard Chartered Insurance Limited, Corrasi Covered Bonds LLP, Pegasus Dealmaking Pte. Ltd., Standard Chartered Botswana Education Trust, Standard Chartered Bancassurance Intermediary Limited, Standard Chartered Bank Insurance Agency (Proprietary) Limited, Standard Chartered Research and Technology India Private Limited, Standard Chartered Trading (Shanghai) Limited.

Repo/reverse repo
A repurchase agreement or repo is a short-term funding agreement, which allows a borrower to sell a financial asset, such as asset-backed securities or government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future), it is a reverse repurchase agreement or reverse repo.

Residential mortgage
A loan to purchase a residential property which is then used as collateral to guarantee repayment of the loan. The borrower gives the lender a lien against the property, and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a home loan.

RoRWA or Return on risk-weighted assets
Profit before tax for year as a percentage of RWA. Profit may be statutory or underlying and is specified where used. See 'RWA' and 'Underlying earnings'.

RWA or Risk-weighted assets
A measure of a bank's assets adjusted for their associated risks, expressed as a percentage of an exposure value in accordance with the applicable standardised or IRB approach provisions.

Risks-not-in-VaR (RNIV)
A framework for identifying and quantifying marginal types of market risk that are not captured in the Value at Risk (VaR) measure for any reason, such as being a far-tail risk or the necessary historical market data not being available.

Roll rate
Uses a matrix that gives average loan migration rate from delinquency states from period to period. A matrix multiplication is then performed to generate the final PDs by delinquency bucket over different time horizons.

Secured (fully and partially)
A secured loan is a loan in which the borrower pledges an asset as collateral for a loan which, in the event that the borrower defaults, the Group is able to take possession of. All secured loans are considered fully secured if the fair value of the collateral is equal to or greater than the loan at the time of origination. All other secured loans are considered to be partly secured.

Securitisation
Securitisation is a process by which credit exposures are aggregated into a pool, which is used to back new securities. Under traditional securitisation transactions, assets are sold to a structured entity which then issues new securities to investors at different levels of seniority (credit tranching). This allows the credit quality of the assets to be separated from the credit rating

of the originating institution and transfers risk to external investors in a way that meets their risk appetite. Under synthetic securitisation transactions, the transfer of risk is achieved by the use of credit derivatives or guarantees, and the exposures being securitised remain exposures of the originating institution.

Senior debt
Debt that takes priority over other unsecured or otherwise more 'junior' debt owed by the issuer. Senior debt has greater seniority in the issuer's capital structure than subordinated debt. In the event the issuer goes bankrupt, senior debt theoretically must be repaid before other creditors receive any payment.

SICR or Significant increase in credit risk
Assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after considering the passage of time).

Solo
The solo regulatory group as defined in the Prudential Regulation Authority waiver letter dated 10 August 2020 differs from Standard Chartered Bank Company in that it includes the full consolidation of nine subsidiaries, namely Standard Chartered Holdings (International) B.V., Standard Chartered MB Holdings B.V., Standard Chartered UK Holdings Limited, Standard Chartered Grindlays PTY Limited, SCMB Overseas Limited, Standard Chartered Capital Management (Jersey) LLC, Cerulean Investments L.P., SC Ventures Innovation Investment L.P. and SC Ventures G.P. Limited.

Sovereign exposures
Exposures to central governments and central government departments, central banks and entities owned or guaranteed by the aforementioned.

Stage 1
Assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months expected credit losses.

Stage 2
Assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

Stage 3
Assets that are in default and considered credit-impaired (non-performing loans).

Standardised approach
In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.

Structured note
An investment tool which pays a return linked to the value or level of a specified asset or index and sometimes offers capital protection if the value declines. Structured notes can be linked to equities, interest rates, funds, commodities and foreign currency.

Subordinated liabilities
Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.

Tier 1 capital
The sum of Common Equity Tier 1 capital and Additional Tier 1 capital.

Tier 1 capital ratio
Tier 1 capital as a percentage of risk-weighted assets.

Tier 2 capital
Tier 2 capital comprises qualifying subordinated liabilities and related share premium accounts.

TLAC or Total loss absorbing capacity
An international standard for TLAC issued by the FSB, which requires G-SIBs to have sufficient loss-absorbing and recapitalisation capacity available in resolution, to minimise impacts on financial stability, maintain the continuity of critical functions and avoid exposing public funds to loss.

Transition risks
The risk of changes to market dynamics or sectoral economics due to governments' response to climate change.

UK bank levy
A levy that applies to certain UK banks and the UK operations of foreign banks. The levy is payable each year based on a percentage of the chargeable equities and liabilities on the Group's UK tax resident entities' balance sheets. Key exclusions from chargeable equities and liabilities include Tier 1 capital, insured or guaranteed retail deposits, repos secured on certain sovereign debt and liabilities subject to netting.

Unbiased
Not overly optimistic or pessimistic, represents information that is not slanted, weighted, emphasised, de-emphasised or otherwise manipulated to increase the probability that the financial information will be received favourably or unfavourably by users.

Unlikely to pay
Indications of unlikeliness to pay shall include placing the credit obligation on non-accrued status; the recognition of a specific credit adjustment resulting from a significant perceived decline in credit quality subsequent to the Group taking on the exposure; selling the credit obligation at a material credit-related economic loss; the Group consenting to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or, where relevant fees; filing for the obligor's bankruptcy or a similar order in respect of an obligor's credit obligation to the Group; the obligor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of a credit obligation to the Group.

VaR or Value at Risk
A quantitative measure of market risk estimating the potential loss that will not be exceeded in a set time period at a set statistical confidence level.

ViU or Value-in-Use
The present value of the future expected cash flows expected to be derived from an asset or CGU.

Write-downs
After an advance has been identified as impaired and is subject to an impairment provision, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write-downs will occur when, and to the extent that, the whole or part of a debt is considered irrecoverable.

XVA
The term used to incorporate credit, debit and funding valuation adjustments to the fair value of derivative financial instruments. See 'CVA', 'DVA' and 'FVA'.