Standard Chartered PLC

Half Year Report 2021

Registered in England under company No. 966425
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Forward-looking statements

This document may contain 'forward-looking statements' that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as 'may', 'could', 'will', 'expect', 'intend', 'estimate', 'anticipate', 'believe', 'plan', 'seek', 'continue' or other words of similar meaning.

By their very nature, forward-looking statements are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. The factors that could cause actual results to differ materially from those described in the forward-looking statements include (but are not limited to) changes in global, political, economic, business, competitive, market and regulatory forces or conditions, future exchange and interest rates, changes in tax rates, future business combinations or dispositions and other factors specific to the Group. Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Group and should not be taken as a representation that such trends or activities will continue in the future.

No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. Each forward-looking statement speaks only as of the date of the particular statement. Except as required by any applicable laws or regulations, the Group expressly disclaims any obligation to revise or update any forward-looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

Please refer to the Group's 2020 Annual Report and this Half-Year Report for a discussion of certain risks and factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

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

The information within this report is unaudited.

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, Mainland China, Hong Kong, India, Indonesia, Japan, Korea, Laos, Macau, Malaysia, Myanmar, Nepal, Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam; Africa & Middle East (AME) includes Angola, Bahrain, Botswana, Cameroon, Cote d'Ivoire, Egypt, The Gambia, Ghana, Iraq, Jordan, Kenya, Lebanon, Mauritius, Nigeria, Oman, Pakistan, Qatar, Saudi Arabia, Sierra Leone, South Africa, Tanzania, the United Arab Emirates (UAE), Uganda, Zambia and Zimbabwe; and Europe & Americas (EA) includes Argentina, Brazil, Colombia, Falkland Islands, France, Germany, Ireland, Jersey, Poland, Sweden, Turkey, the UK and the US.

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

Standard Chartered PLC is incorporated in England and Wales with limited liability. Standard Chartered PLC is headquartered in London. The Group's head office provides guidance on governance and regulatory standards. Standard Chartered PLC stock codes are: HKSE 02888 and LSE STAN.LN.

Standard Chartered PLC – Results for the first half and second quarter ended 30 June 2021

All figures are presented on an underlying basis and comparisons are made to 2020 on a reported currency basis, unless otherwise stated. A reconciliation of restructuring and other items excluded from underlying results is set out on pages 26 to 31.

Bill Winters, Group Chief Executive, said:

"I am encouraged by our positive performance in the first half of 2021 despite an uneven recovery from COVID-19. We grew profit before tax 37% year on year, helped by improved loan impairments, strong underlying business momentum and good progress across our strategic priorities. We are more confident in achieving our return on tangible equity targets and we are pleased to announce today an additional share buy-back programme together with the resumption of our interim dividend payment."

Update on strategic priorities

- Primary performance measure **return on tangible equity improved 330 basis points to 9.3%**
- **Good progress on strategic priorities**.
  - In our Corporate, Commercial & Institutional Banking (CCIB) **Network** business, we have launched new digital capabilities across 46 markets and have increased the proportion of digital transactions by 7%pts
  - We are leading with many global firsts in **Sustainable** Finance (SF) product innovation and have grown SF income by 55% in 1H'21 vs 1H'20
  - Income from our **Affluent** client business is up 4% and we have increased assets under management by $10bn in 2021
  - In **Mass Retail** we continue to grow the levels of sales executed digitally, now at 71% and digital adoption rates by our clients are accelerating, up 6%pts to 62%

Selected information concerning financial performance (1H'21 unless otherwise stated)

- **Income 5%** lower at $7.6bn, down 6% at constant currency (ccy) and excluding a $105m reduction in debit valuation adjustment
  - Record first half performance in Wealth Management up 23% (2Q'21 up 26%)
  - Transaction Banking Trade income up 16%, strongest half since 2018
  - Offset by interest rate headwinds and a return to more neutral market sentiment
  - Net interest margin (NIM) in 2Q'21 of 1.22%, flat to 1Q'21, supported by a 5bps or $73m IFRS9 interest income adjustment; 1H'21 down 18bps from 1H'20
- **Expenses** increased 8% to $5.1bn, up 4% at ccy
  - Primarily the impact of normalisation of performance-related pay and investment in transformational digital initiatives
- **Credit impairment** $47m net release down $1,614m YoY; 2Q'21 net release of $67m down $87m QoQ
  - Stage 1 and 2: $105m net release, includes $51m overlay release. Total Stage 1 and 2 overlay now $301m
  - Stage 3: $58m down $841m YoY with no significant new impairments on exposures in 1H'21; 2Q'21 $3m down $52m QoQ
  - High-risk assets: reduced for the fourth consecutive quarter in 2Q'21, down $1bn in the quarter and down almost $5bn YoY
- **Underlying profit before tax** up 37% to $2.7bn; statutory profit before tax up 57% to $2.6bn
- **Tax charge of $631m**: underlying effective tax rate of 24.1%, down 4.9%pts
- **Earnings per share** increased 22.4 cents or 62% to 58.3 cents
- The Group's **balance sheet** continues to grow and remains strong, liquid and well diversified
  - Customer loans and advances up 2% or $6bn since 31.03.21 and up 6% since 31.12.20
  - Advances-to-deposit ratio 64.0% (31.03.21: 62.7%); liquidity coverage ratio 146% (31.03.21: 150%)
- **Risk-weighted assets (RWA)** of $280bn up 4% or $11bn since 31.12.20
  - $9bn credit RWA growth: asset growth and credit migration partially offset by FX. Market risk RWA up $2bn
- The Group remains strongly capitalised
  - **Common equity tier 1 (CET1) ratio** 14.1%, above the 13-14% target range (31.03.21: 14.0%); includes 31 bps software relief being removed from 01.01.2022
  - Resumption of interim 2021 ordinary dividend of $94m or 3c per share
  - $250m share buy-back starting imminently is expected to reduce the CET1 ratio by 9bps in 3Q'21

Outlook

The recovery from the COVID-19 pandemic is uneven and volatile, though encouragingly the trends we see as we exit the quarter are more positive in our bigger markets. Against this backdrop we expect:

- With the current level of normalised NIM and strong customer demand likely to continue in 2H'21, we still expect FY'21 income to be similar to that achieved in FY'20 on a constant currency basis and to return to our medium-term guidance of 5-7% growth from FY'22
- We still expect expenses to remain below $10bn in FY'21 excluding the impact of currency translation, though they may increase slightly driven by performance-related pay
- Excluding the impact of any unforeseeable events we expect credit impairment to remain low for the remainder of the year
- We intend to operate dynamically within the full CET1 13-14% target range with an eye to the opportunities for growth, as well as credit and economic conditions and the strength of our earnings, as we continue our focus on safely improving our overall return on capital

Statement of results

	6 months ended 30.06.21 $million	6 months ended 30.06.20 $million	Change[1] %
Underlying performance			
Operating income	**7,618**	8,047	(5)
Operating expenses	**(5,092)**	(4,713)	(8)
Credit impairment	**47**	(1,567)	103
Other impairment	**(25)**	112	(122)
Profit from associates and joint ventures	**134**	76	76
Profit before taxation	**2,682**	1,955	37
Profit attributable to ordinary shareholders[2]	**1,826**	1,138	60
Return on ordinary shareholders' tangible equity (%)	**9.3**	6.0	330bps
Cost-to-income ratio (%)	**66.8**	58.6	(820)bps
Statutory performance			
Operating income	**7,628**	8,099	(6)
Operating expenses	**(5,221)**	(4,748)	(10)
Credit impairment	**51**	(1,576)	103
Goodwill impairment	**–**	(258)	100
Other impairment	**(40)**	35	(214)
Profit from associates and joint ventures	**141**	75	88
Profit before taxation	**2,559**	1,627	57
Taxation	**(631)**	(561)	(12)
Profit for the period	**1,928**	1,066	81
Profit attributable to parent company shareholders	**1,914**	1,048	83
Profit attributable to ordinary shareholders[2]	**1,718**	816	111
Return on ordinary shareholders' tangible equity (%)	**8.7**	4.3	440bps
Cost-to-income ratio (%)	**68.4**	58.6	(980)bps
Net Interest Margin (%) (adjusted)	**1.22**	1.40	(18)bps

	30.06.21 $million	31.12.20 $million	Change[1] %
Balance sheet and capital			
Total assets	**795,910**	789,050	1
Total equity	**52,857**	50,729	4
Average tangible equity attributable to ordinary shareholders[2]	**39,650**	38,590	3
Loans and advances to customers	**298,003**	281,699	6
Customer accounts	**441,147**	439,339	-
Risk weighted assets	**280,227**	268,834	4
Total capital	**59,161**	57,048	4
Total capital ratio (%)	**21.1**	21.2	(10)bps
Common Equity Tier 1	**39,589**	38,779	2
Common Equity Tier 1 ratio (%)	**14.1**	14.4	(30)bps
Advances-to-deposits ratio (%)[3]	**64.0**	61.1	2.9
Liquidity coverage ratio (%)	**146**	143	3
UK leverage ratio (%)	**5.2**	5.2	-

Information per ordinary share	**Cents**	Cents	Change[1]
Earnings per share – underlying[4]	**58.3**	35.9	22.4
– statutory[4]	**54.8**	25.8	29.0
Net asset value per share[5]	**1,451**	1,409	42
Tangible net asset value per share[5]	**1,285**	1,249	36
Number of ordinary shares at period end (millions)	**3,119**	3,150	(1)

1 Variance is better/(worse) other than assets, liabilities and risk-weighted assets. Change is percentage points difference between two points rather than percentage change for total capital ratio (%), common equity tier 1 ratio (%), net interest margin (%), advances-to-deposits ratio (%), liquidity coverage ratio (%), UK leverage ratio (%). Change is cents difference between two points rather than percentage change for earnings per share, net asset value per share and tangible net asset value per share

2 Profit/(loss) attributable to ordinary shareholders is after the deduction of dividends payable to the holders of non-cumulative redeemable preference shares and Additional Tier 1 securities classified as equity

3 When calculating this ratio, total loans and advances to customers excludes reverse repurchase agreements and other similar secured lending, excludes approved balances held with central banks, confirmed as repayable at the point of stress and includes loans and advances to customers held at fair value through profit and loss. Total customer accounts include customer accounts held at fair value through profit or loss

4 Represents the underlying or statutory earnings divided by the basic weighted average number of shares. Prior period refers to 6 months ended 30.06.20

5 Calculated on period end net asset value, tangible net asset value and number of shares

Group Chief Executive's review

Resilient performance against a challenging backdrop

Our first half of 2021 was one of recovery, albeit an uneven one. Lockdowns of various forms have come and been relaxed, affecting economic activity in many of our markets. International mobility remains severely restricted, although there has been some easing recently. Across the major markets of our footprint, while containment has been effective in controlling the spread of COVID-19, the timeline to full economic recovery and social opening will be longer as country vaccination programmes vary, leading to lower confidence in some parts of Asia relative to the West at the moment.

Against such a varied backdrop I am pleased that we are continuing to operate effectively, supporting our customers and executing our strategy. As we fully expected, income is down year-on-year reflecting the drag caused by low interest rates which more than offset the strong progress we continue to make in businesses such as Wealth Management and Financial Markets. The first half loan impairment outcome reflects the work we have done over the last few years to ensure our portfolios are in good shape and resilient to stress. As a result of this risk discipline we have generated strong post-tax profit growth and retain a very strong capital base. We have a range of options as to how we deploy or return this capital.

As the worst of the interest rate headwinds are now behind us and with the prospect of continuing economic recovery, we go into the second half of the year with positive momentum, purpose and confidence.

Improving returns remains our top priority

We are more confident in achieving our return on tangible equity targets and in the first half of the year we have made good progress.

We have seen strong underlying business momentum across our footprint, particularly with a record first half in Wealth Management and Financial Markets performing well, despite trading conditions being tougher than we enjoyed in the early part of the year. Our loan books are performing very well, benefiting from the work done to reshape the portfolios and we expect the return to more normalised loan loss rates to come slower than originally anticipated. Our earnings momentum and strong asset portfolio give us confidence to be nimbler in managing capital.

We continue to be disciplined in how we deploy our capital and remain focused on delivering shareholder value.

Working our capital harder

Our priorities for deployment of surplus capital remain unchanged: first, support both organic and inorganic growth, then fund appropriate and sustainable dividends and finally return to shareholders through share buy-backs.

With the Group's common equity tier 1 capital ratio above the top end of our 13-14 per cent target range, we have decided to announce a new share buy-back and will shortly start purchasing and then cancelling up to $250 million worth of ordinary shares. Additionally, the Group will pay an interim dividend of $94 million equal to 3 cents per share. The Group will continue to actively manage its capital position and the actions announced today still leave capacity to fund stronger business growth or further buy-backs later in the year. We also expect to be able to increase the full-year dividend per share over time. As economic conditions improve we will manage CET1 within the 13-14 per cent range. Our actions today take us towards the middle of the range, after incorporating the proposed software accounting changes. We intend to operate dynamically within the full range with an eye to the opportunities for growth, as well as credit and economic conditions and the strength of our earnings, as we continue our focus on safely improving our overall return on capital.

Progressing on our strategic priorities

We set out four strategic priorities at the start of 2021; continue to grow both our Network and Affluent businesses, return to growth in Mass Retail and advance on all fronts of our Sustainability agenda. We are making progress in each.

Corporate, Commercial & Institutional Banking's Network business has launched new digital capabilities across 46 markets and increased the proportion of digitally initiated transactions by 7 percentage points to 48 per cent.

In Consumer, Private and Business Banking, within the Affluent segment, we have increased Assets Under Management by $10 billion or 4 per cent to $246 billion and this has helped drive a record performance in our Wealth Management business in the first half of the year.

In Mass Retail we are making good progress with our Mox virtual bank in Hong Kong, onboarding new and younger customers, growing balances and adding new functionality such as credit cards to the platform. We are now able to export the Mox platform to other markets and tailor it for use locally.

Income from Sustainable Finance has grown 55 per cent year on year and we launched a Sustainable Trade Finance framework bundling solutions for our clients involved with sustainable goods and services suppliers.

Taking a stand

We intend to accelerate our strategy by setting long-term ambitions that stretch our thinking and actions. So today we are sharing more detail about three areas where we will use our unique abilities to connect capital, people, ideas and best practices to help address the significant socio-economic challenges and opportunities of our time. These challenges are very real – whether it is existential risks from climate change, social division created by rising inequality, or threats to the international co-operation that maintains peace and social stability. COVID-19 has heightened the significance and urgency of these issues.

We believe it is possible to drive commerce and growth without leaving people behind, negatively impacting the planet or creating divisions that diminish our sense of community. Never has finance been more important in driving positive change where it matters most, and where the human toll is felt most: in our own business footprint.

We have defined three areas on which we will take a stand:

- Accelerating Zero – 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
- Lifting Participation – unleashing the full potential of women and small businesses in our core markets to improve the lives of millions of people and their communities
- Resetting Globalisation – supporting hundreds of thousands of companies to improve working and environmental standards, giving more people the chance to participate in the world economy, so growth becomes fairer and more balanced

In each area we will be setting long-term goals, and delivering near-term change. Through Lifting Participation, it is our ambition over time to have a positive impact on the lives of 1 billion people. By reimagining globalisation we hope to benefit 500,000 companies, while our progress to net zero will be charted through a detailed roadmap. We will share more details of our goals, actions and progress in the coming months.

We are excited by the prospect of helping in our own way and with our business partners to drive positive progress in these areas. This is not philanthropy: we will act to drive scalable, sustainable commercial growth and you will see us increasingly active in these areas.

Concluding remarks

While progress is being made in tackling COVID-19, it seems set to remain an ongoing global challenge for the foreseeable future although we are starting to see a return to a semblance of normal life and a resurgence of economic activity in some markets now. We firmly believe that, as time progresses, global economic growth will again be primarily driven by the markets in our footprint.

We are encouraged by our financial results in the first half of this year, and the underlying business momentum, and are confident of a return to income growth in the second half. We believe that we will soon be back on the same performance trajectory that we were on before the pandemic set us back. As that happens, we are redoubling our efforts to execute our strategic priorities, deliver on our financial commitments and drive progress on the three areas we are taking a stand on.

Bill Winters
Group Chief Executive

3 August 2021

Group Chief Financial Officer's review

The Group delivered a resilient and encouraging performance in the first six months of 2021

Summary of financial performance

	1H'21 $million	1H'20 $million	Change %	Constant currency change[1] %	2Q'21 $million	2Q'20 $million	Change %	Constant currency change[1] %	1Q'21 $million	Change %	Constant currency change[1] %
Net interest income	**3,375**	3,502	(4)	(6)	**1,713**	1,660	3	–	1,662	3	4
Other income	**4,243**	4,545	(7)	(8)	**1,976**	2,060	(4)	(6)	2,267	(13)	(13)
Underlying operating income	**7,618**	8,047	(5)	(7)	**3,689**	3,720	(1)	(3)	3,929	(6)	(6)
Other operating expenses	**(5,086)**	(4,713)	(8)	(4)	**(2,592)**	(2,355)	(10)	(5)	(2,494)	(4)	(4)
UK bank levy	**(6)**	–	nm[3]	nm[3]	**(6)**	–	nm[3]	nm[3]	–	nm[3]	nm[3]
Underlying operating expenses	**(5,092)**	(4,713)	(8)	(4)	**(2,598)**	(2,355)	(10)	(5)	(2,494)	(4)	(4)
Underlying operating profit before impairment and taxation	**2,526**	3,334	(24)	(24)	**1,091**	1,365	(20)	(18)	1,435	(24)	(23)
Credit impairment	**47**	(1,567)	103	103	**67**	(611)	111	111	(20)	nm[3]	nm[3]
Other impairment	**(25)**	112	(122)	(123)	**(9)**	(42)	79	79	(16)	44	40
Profit from associates and joint ventures	**134**	76	76	76	**87**	21	nm[3]	nm[3]	47	85	89
Underlying profit before taxation	**2,682**	1,955	37	41	**1,236**	733	69	78	1,446	(15)	(14)
Restructuring	**(123)**	(90)	(37)	(37)	**(90)**	2	nm[3]	nm[3]	(33)	(173)	(181)
Goodwill impairment	**–**	(258)	100	100	**–**	–	nm[3]	nm[3]	–	nm[3]	nm[3]
Other items	**–**	20	(100)	(100)	**–**	6	(100)	(100)	–	nm[3]	nm[3]
Statutory profit before taxation	**2,559**	1,627	57	62	**1,146**	741	55	63	1,413	(19)	(18)
Taxation	**(631)**	(561)	(12)	(11)	**(317)**	(192)	(65)	(58)	(314)	(1)	(2)
Profit for the period	**1,928**	1,066	81	91	**829**	549	51	65	1,099	(25)	(24)
Net interest margin (%)[2]	**1.22**	1.40	(18)		**1.22**	1.28	(6)		1.22	–	
Underlying return on tangible equity (%)[2]	**9.3**	6.0	330		**7.8**	3.5	430		10.8	(300)	
Underlying earnings per share (cents)	**58.3**	35.9	62		**24.8**	10.4	138		33.5	(26)	
Statutory return on tangible equity (%)[2]	**8.7**	4.3	440		**7.0**	3.6	340		10.6	(360)	
Statutory earnings per share (cents)	**54.8**	25.8	112		**22.1**	10.8	105		32.6	(32)	

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

2 Change is the basis points (bps) difference between the two periods rather than the percentage change

3 Not meaningful

The Group delivered a resilient and encouraging performance in the first half of 2021. Against a backdrop of challenging conditions, characterised by an uneven and volatile recovery from the COVID-19 pandemic, underlying operating profit before tax recovered strongly from last year, up 37 per cent. Significantly lower credit impairment and strong underlying business momentum more than offset the impact of lower interest rates and increased expenses. Income declined 6 per cent on a constant currency basis excluding the negative movement in the debit valuation adjustment (DVA). A record first half performance in Wealth Management, up 23 per cent, as well as 6 per cent growth in Loans and Advances to Customers in the first six months was more than offset by the impact of an 18 basis points year on year decline in the net interest margin. Credit impairment was a net release of $47 million, a $1,614 million year on year improvement, reflecting the generally better economic backdrop in some of our key markets. The Group remains well capitalised and highly liquid. The CET1 ratio of 14.1 per cent is above the top end of the 13 to 14 per cent target range allowing the Board to decide to carry out another share buy-back programme imminently, the advances-to-deposits ratio was 64.0 per cent and the liquidity coverage ratio was 146 per cent.

- **Operating income** declined 5 per cent in the first half and was down 6 per cent on a constant currency basis and excluding a $105 million negative movement in DVA. The impact of lower interest rates was partially offset by a record performance in Wealth Management and a 6 per cent growth in Loans and Advances to Customers in the first six months of the year
- **Net interest income** decreased 4 per cent with increased volumes more than offset by an 18 basis point decline in net interest margin reflecting the impact of interest rate cuts in many of our key markets. Net interest income included a positive $73 million IFRS9 interest income catch-up adjustment in respect of interest earned on historically impaired assets, increasing the 2Q'21 net interest margin by 5 basis points
- **Other income** decreased 7 per cent, or 6 per cent on a constant currency basis excluding the negative impact of movements in DVA, with a record performance in Wealth Management more than offset by lower trading income in Financial Markets and lower realisation gains in Treasury

- **Operating expenses** increased 8 per cent or 4 per cent on a constant currency basis. Expenses were up due to the impact of the normalisation of performance-related pay accruals and higher investment spend as the Group continued to develop its transformational digital capabilities. The cost-to-income ratio increased 7 percentage points to 67 per cent excluding DVA and UK bank levy, reflecting both the impact of the significantly lower interest rate environment on net interest income and the increase in expenses
- **Credit impairment** was a $47 million net release, an improvement of $1,614 million demonstrating the resilience of the overall portfolio. There was a $105 million release in stage 1 and 2 impairments reflecting the impact of improvements in the macroeconomic variables incorporated into expected credit loss models, additional collateral and guarantees received on a few credit grade 12 clients and a $51 million release of the judgemental management overlay relating to stage 1 and 2 loans. Impairments of stage 3 assets of $58 million were down $841 million, with no significant new impairments on stage 3 exposures in the first half
- **Other impairment** of $25 million was primarily driven by impairment charges relating to the aviation leasing portfolio
- **Profit from associates and joint ventures** increased 76 per cent to $134 million. In 1H'20, the Group could only recognise its share of the profits of its associate China Bohai Bank for four rather than six months due to the timing of China Bohai Bank's initial public offering in July 2020. This was partly offset by the Group's share of China Bohai Bank's profits reducing to 16.26 per cent in 1H'21 compared to 19.99 per cent in 1H'20 reflecting the Group's reduced shareholding post the initial public offering
- Charges relating to **restructuring, goodwill impairment and other items** decreased $205 million to $123 million, with increased restructuring costs more than offset by the non-repeat of $258 million of goodwill impairment primarily in India which was booked in 1H'20
- **Taxation** was $631 million on a statutory basis with an underlying year-to-date effective tax rate of 24.1 per cent down from the 1H'20 rate of 29.0 per cent reflecting a favourable change in the geographic mix of profits and higher profits diluting the impact of non-deductible costs and withholding tax
- **Underlying return on tangible equity** increased by 330 basis points to 9.3 per cent, with the impact of increased profits partly offset by increased tangible equity which was up despite the dividends paid and share buy-back programmes completed in 1H'21

Operating income by product

	1H'21 $million	1H'20 $million	Change %	Constant currency change[1] %	2Q'21 $million	2Q'20 $million	Change %	Constant currency change[1] %	1Q'21 $million	Change %	Constant currency change[1] %
Transaction Banking	**1,280**	1,521	(16)	(17)	**637**	721	(12)	(13)	643	(1)	(1)
Trade	**568**	490	16	15	**291**	230	27	24	277	5	5
Cash Management	**712**	1,031	(31)	(32)	**346**	491	(30)	(31)	366	(5)	(6)
Financial Markets[2]	**2,590**	2,770	(6)	(8)	**1,270**	1,230	3	1	1,320	(4)	(3)
Macro Trading[2]	**1,243**	1,579	(21)	(23)	**571**	754	(24)	(26)	672	(15)	(15)
Credit Markets	**936**	743	26	24	**495**	476	4	2	441	12	12
Credit Trading	**233**	156	49	47	**102**	181	(44)	(44)	131	(22)	(22)
Financing Solutions & Issuance	**703**	587	20	18	**393**	295	33	29	310	27	26
Structured Finance	**219**	180	22	20	**120**	88	36	35	99	21	21
Financing & Securities Services	**193**	164	18	14	**85**	113	(25)	(21)	108	(21)	(12)
DVA	**(1)**	104	(101)	(101)	**(1)**	(201)	100	99	–	nm[3]	nm[3]
Lending & Portfolio Management	**486**	440	10	8	**253**	235	8	5	233	9	9
Wealth Management[2]	**1,200**	976	23	21	**554**	440	26	24	646	(14)	(14)
Retail Products	**1,695**	1,859	(9)	(11)	**846**	913	(7)	(10)	849	–	–
CCPL & other unsecured lending	**640**	599	7	4	**320**	295	8	4	320	–	–
Deposits	**442**	885	(50)	(51)	**209**	413	(49)	(51)	233	(10)	(10)
Mortgage & Auto	**515**	305	69	61	**268**	169	59	51	247	9	9
Other Retail Products	**98**	70	40	40	**49**	36	36	39	49	–	4
Treasury	**394**	503	(22)	(22)	**137**	178	(23)	(24)	257	(47)	(46)
Other	**(27)**	(22)	(23)	(100)	**(8)**	3	nm[3]	(190)	(19)	58	50
Total underlying operating income	**7,618**	8,047	(5)	(7)	**3,689**	3,720	(1)	(3)	3,929	(6)	(6)

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

2 Following a reorganisation of certain clients, there has been a reclassification of balances across products. Prior periods have been restated

3 Not meaningful

Reflecting the Group's new organisational structure that came into effect on 1 January 2021, the Financial Markets business has been expanded and reorganised, integrating the majority of the Corporate Finance business within Financial Markets. The remaining elements of the Corporate Finance business, primarily M&A Advisory, have been transferred into Lending & Portfolio Management.

Transaction Banking income was down 16 per cent. Cash Management declined 31 per cent as increased volumes and fees were more than offset by declining margins in the lower interest rate environment. Trade increased 16 per cent with double-digit growth in balances, as global trade activity rebounded back to pre-pandemic levels, strong fee income growth and increased margins benefiting from pricing discipline.

Financial Markets income declined 6 per cent or 4 per cent excluding DVA and the impact of the catch-up IFRS9 interest income adjustment. Macro trading declined 21 per cent with reduced client activity and lower trading gains resulting from a non-repeat of the exceptional market volatility experienced in 1H'20. Credit Markets income increased 26 per cent driven by strong growth in origination and distribution activities partly offset by tightening credit spreads. Structured Finance was up 22 per cent benefiting from increased leasing income due to new deals and profits from the sale of aircraft. Financing & Securities Services income grew 18 per cent from increased volumes and fee income partly offset by lower margins.

Lending and Portfolio Management income increased 10 per cent including the impact of the catch-up IFRS9 interest income adjustment. Excluding this adjustment, income was up 4 per cent with strong momentum in Fund Financing and capturing additional income from low-margin but high-returning IPO loans.

Wealth Management delivered a record performance in 1H'21 with income up 23 per cent. There was a particularly strong sales performance in FX, equities and structured notes with our digital investments supporting strong net new sales and assets under management growth, with income excluding bancassurance up 27 per cent. Bancassurance income, which year-to-date is just under a quarter of total Wealth Management income, was 12 per cent higher reflecting earlier recognition of an annual bancassurance bonus.

Retail Products income reduced 9 per cent on a reported basis and was down 11 per cent on a constant currency basis. Deposits income declined 50 per cent as the lower interest rate environment compressed margins and more than offset increased volumes and improved balance sheet mix. Double-digit volume growth and improved margins led to a 69 per cent growth across Mortgages & Auto and a 40 per cent increase in Other Retail Products. Credit Cards & Personal Loans income was up 7 per cent with increased balances reflecting transactional activity levels showing signs of recovery to pre-COVID-19 levels in some of the Group's markets.

Treasury income declined 22 per cent, with a $196 million reduction in realisation gains to $119 million.

Profit before tax by client segment and geographic region

	1H'21 $million	1H'20 $million	Change %	Constant currency change[1] %	2Q'21 $million	2Q'20 $million	Change %	Constant currency change[1] %	1Q'21 $million	Change %	Constant currency change[1] %
Corporate, Commercial & Institutional Banking	**1,821**	1,279	42	43	**936**	543	72	77	885	6	7
Consumer Private & Business Banking	**778**	417	87	89	**299**	125	139	136	479	(38)	(38)
Central & other items (segment)	**83**	259	(68)	(63)	**1**	65	(98)	(95)	82	(99)	(98)
Underlying profit before taxation	**2,682**	1,955	37	41	**1,236**	733	69	78	1,446	(15)	(14)
Asia	**2,239**	1,590	41	40	**1,005**	573	75	73	1,234	(19)	(19)
Africa & Middle East	**475**	90	nm[2]	nm[2]	**285**	43	nm[2]	nm[2]	190	50	54
Europe & Americas	**337**	356	(5)	(3)	**104**	255	(59)	(59)	233	(55)	(56)
Central & other items (region)	**(369)**	(81)	nm[2]	(174)	**(158)**	(138)	(14)	11	(211)	25	27
Underlying profit before taxation	**2,682**	1,955	37	41	**1,236**	733	69	78	1,446	(15)	(14)

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

2 Not meaningful

Reflecting the updated organisational structure that came into effect on 1 January 2021, this is the first half-year reporting period in which the Group is reporting on its new structure. 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 smaller business banking clients. Further, certain clients have been moved between the two new client segments with a restatement of prior periods. From a regional perspective, Greater China & North Asia and ASEAN & South Asia have been combined to form a single Asia region.

Corporate, Commercial & Institutional Banking profit increased 42 per cent as improved credit impairment more than offset lower income, increased expenses and a non-repeat of a $165 million other impairment recovery in 1Q'20. Income declined 7 per cent excluding DVA and the impact of the catch-up IFRS9 interest income adjustment, with a 31 per cent reduction in Cash Management due to the impact of lower interest rates and lower trading gains in Financial Markets resulting from a non-repeat of the exceptional market volatility experienced in 1H'20. This was partially offset by 16 per cent increase in Trade income as global trade activity rebounded back to pre-pandemic levels. Expenses increased 8 per cent.

Consumer, Private & Business Banking profit increased 87 per cent driven mainly by higher income and significantly lower credit impairment. Income increased 2 per cent, and was flat on a constant currency basis, as record Wealth Management performance and strong growth in Mortgage & Auto income more than offset the impact of lower interest rates on Retail Deposits. Expenses increased 3 per cent but were flat on a constant currency basis.

Central & other items (segment) profit declined 68 per cent to $83 million with income down 26 per cent reflecting lower realisation gains within Treasury. Expenses were up 43 per cent reflecting the normalisation of performance-related pay accruals.

Asia profits increased 41 per cent as lower credit impairments more than offset lower income, increased expenses and a non-repeat of a $165 million other impairment recovery in 1Q'20. Income reduced 1 per cent or 3 per cent on a constant currency basis excluding negative movements in DVA with a strong Wealth Management performance offset by lower trading income and the impact of the lower interest rate environment.

Africa & Middle East profits increased over five-fold to $475 million, our highest half-year profit performance in the last five years, due to a $410 million improvement in impairments. Income was flat and up 1 per cent on a constant currency basis, with growth in Wealth Management income and strong pipeline conversion offsetting the impact of interest rate cuts. Expenses increased 3 per cent on a constant currency basis.

Europe & Americas had a net release in credit impairment which was more than offset by lower income and increased costs leading to a 5 per cent reduction in profits. Income decreased 9 per cent, or 4 per cent excluding negative movements in DVA reflecting lower trading gains resulting from a non-repeat of the exceptional market volatility experienced in 1H'20.

Central & other items (region) recorded a loss of $369 million with income declining $265 million due to lower returns paid to Treasury on the equity provided to the regions in a lower interest rate environment and increased expenses reflecting a normalisation of performance-related pay accruals.

Adjusted net interest income and margin

	1H'21 $million	1H'20 $million	Change[1] %	2Q'21 $million	2Q'20 $million	Change[1] %	1Q'21 $million	Change[1] $million
Adjusted net interest income[2]	3,375	3,619	(7)	1,705	1,688	1	1,670	2
Average interest-earning assets	557,215	520,902	7	558,089	531,131	5	556,331	–
Average interest-bearing liabilities	513,805	471,801	9	517,939	479,053	8	509,625	2
Gross yield (%)[3]	1.85	2.65	(80)	1.86	2.37	(51)	1.85	1
Rate paid (%)[3]	0.69	1.39	(70)	0.69	1.21	(52)	0.69	–
Net yield (%)[3]	1.16	1.26	(10)	1.17	1.16	1	1.16	1
Net interest margin (%)[3,4]	1.22	1.40	(18)	1.22	1.28	(6)	1.22	–

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 is the basis points (bps) difference between the 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 7 per cent driven by a 13 per cent decline in the net interest margin which reduced 18 basis points year-on-year. The net interest margin was stable quarter-on-quarter in the second quarter at 122 basis points supported by a IFRS9 interest income catch-up adjustment; excluding the impact of this $73 million adjustment the normalised net interest margin in 2Q'21 would have been 117 basis points:

- Average interest-earning assets were broadly flat in the quarter, with increased loans to customers and cash reserves offset by declines in loans to banks and investment securities balances. Gross yields increased 1 basis point compared with the average in the prior quarter and were down 4 basis points excluding the IFRS9 interest income catch-up adjustment. The underlying 5 basis point decrease reflects the impact of further falls in HIBOR, an increase in returns-accretive but low-margin lending related to initial public offerings, realisations in the Treasury portfolio that generated $104 million of gains in the first quarter and a shift in Treasury deployment in the second quarter from securities to cash in a lower yield environment which, whilst impacting gross yields, was returns accretive.
- Average interest-bearing liabilities increased 2 per cent in the quarter while the rate paid on liabilities remained stable in the quarter.

Credit risk summary

Income Statement

	1H'21 $million	1H'20 $million	Change[1] %	2Q'21 $million	2Q'20 $million	Change[1] %	1Q'21 $million	Change[1] %
Total credit impairment charge/(release)	**(47)**	1,567	(103)	**(67)**	611	(111)	20	(435)
Of which stage 1 and 2	**(105)**	668	(116)	**(70)**	217	(132)	(35)	100
Of which stage 3	**58**	899	(94)	**3**	394	(99)	55	(95)

1 Variance is increase/(decrease) comparing current reporting period to prior reporting periods

Balance sheet

	30.06.21 $million	31.03.21 $million	Change[1] %	31.12.20 $million	Change[1] %	30.06.20 $million	Change[1] %
Gross loans and advances to customers[2]	**303,982**	298,297	2	288,312	5	282,826	7
Of which stage 1	**277,290**	270,367	3	256,437	8	250,278	11
Of which stage 2	**17,634**	19,212	(8)	22,661	(22)	23,739	(26)
Of which stage 3	**9,058**	8,718	4	9,214	(2)	8,809	3
Expected credit loss provisions	**(5,979)**	(6,213)	(4)	(6,613)	(10)	(6,513)	(8)
Of which stage 1	**(447)**	(486)	(8)	(534)	(16)	(476)	(6)
Of which stage 2	**(544)**	(683)	(20)	(738)	(26)	(780)	(30)
Of which stage 3	**(4,988)**	(5,044)	(1)	(5,341)	(7)	(5,257)	(5)
Net loans and advances to customers	**298,003**	292,084	2	281,699	6	276,313	8
Of which stage 1	**276,843**	269,881	3	255,903	8	249,802	11
Of which stage 2	**17,090**	18,529	(8)	21,923	(22)	22,959	(26)
Of which stage 3	**4,070**	3,674	11	3,873	5	3,552	15
Cover ratio of stage 3 before/after collateral (%)[3]	**55/75**	58/77	(3)/(2)	58/76	(3)/(1)	60/80	(5)/(5)
Credit grade 12 accounts ($million)	**1,623**	2,197	(26)	2,164	(25)	1,519	7
Early alerts ($million)	**8,970**	9,779	(8)	10,692	(16)	14,406	(38)
Investment grade corporate exposures (%)[3]	**63**	62	1	62	1	57	6

1 Variance is increase/(decrease) comparing current reporting period to prior reporting periods

2 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $4,584 million at 30 June 2021, $3,197 million at 31 March 2021, $2,919 million at 31 December 2020 and $4,383 million at 30 June 2020

3 Change is the percentage points difference between the two points rather than the percentage change

Whilst credit risk remains elevated, we have seen improvement in a number of metrics with high-risk assets lower for the fourth successive quarter and a net release in credit impairment for the first six months of the year. The Group is well-placed to support our clients as economies recover but the Group continues to remain vigilant to the continued impact of COVID-19 including vaccination progress and the likelihood of uneven economic recovery across markets and industries.

Credit impairment was a net $47 million release in the first half, an improvement of $1,614 million compared to 1H'20 demonstrating the resilience of the overall portfolio.

Stage 1 and 2 impairments were a net release of $105 million, reflecting an improvement in the macroeconomic environment in select key markets and additional collateral received relating to a few clients. There was also a $51 million release of the judgemental stage 1 and 2 management overlay, down to $301 million remaining as at 30 June 2021.

Stage 3 impairments were a charge of $58 million, reflecting the impact of a normalisation of recoveries in Consumer, Private & Business Banking which were reduced in 2020 due to COVID-19 related disruptions, a net release within Corporate, Commercial & Institutional Banking due to ongoing repayments as well as no significant new impairments on stage 3 exposures in the half, and a $20 million increase relating to the catch-up of interest earned on historically impaired assets.

Gross stage 3 loans and advances to customers of $9.1 billion were down 2 per cent compared with 31 December 2020 primarily due to increased repayments and loan sales. These credit-impaired loans represented 3.0 per cent of gross loans and advances, a decrease of 22 basis points compared with 31 December 2020.

The stage 3 cover ratio of 55 per cent was down 3 percentage points compared with the position as at 31 December 2020, and the cover ratio post collateral at 75 per cent was down 1 percentage points, mainly reflecting new inflows into stage 3 where the Group is confident that we have a low probability of a significant loss as it benefits from guarantees and insurance which are not included as tangible collateral.

Credit grade 12 balances have reduced by a quarter since 31 December 2020 with new inflows from Early Alert accounts more than offset by outflows into stage 3 and repayments.

Early Alert accounts of $9.0 billion have reduced by $1.7 billion since 31 December 2020 reflecting the net impact of downgrades into credit grade 12 and regularisations of accounts back into non-high-risk categories. The aviation sector accounts for more than two thirds of the increase in the Early Alert balance since the onset of COVID-19. The Group is continuing to monitor its exposures in the Aviation, Oil & Gas and Metals & Mining sectors particularly carefully, given the unusual stresses caused by the effects of COVID-19.

The proportion of investment-grade corporate exposures has increased since 31 December 2020 by 1 percentage point to 63 per cent.

Restructuring, goodwill impairment and other items

	1H'21			1H'20		
	Restructuring $million	Goodwill impairment $million	Other items $million	Restructuring $million	Goodwill impairment $million	Other items $million
Operating income	**10**	**–**	**–**	46	–	6
Operating expenses	**(129)**	**–**	**–**	(49)	–	14
Credit impairment	**4**	**–**	**–**	(9)	–	–
Other impairment	**(15)**	**–**	**–**	(77)	(258)	–
Profit/(loss) from associates and joint ventures	**7**	**–**	**–**	(1)	–	–
Profit/(loss) before taxation	**(123)**	**–**	**–**	(90)	(258)	20

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

Restructuring charges of $123 million primarily relate to redundancies, set up expenses related to flexible working and impairments on property as the Group adapts to new ways of working post-pandemic.

Balance sheet and liquidity

	30.06.21 $million	31.03.21 $million	Change[1] %	31.12.20 $million	Change[1] %	30.06.20 $million	Change[1] %
Assets							
Loans and advances to banks	**45,188**	48,016	(6)	44,347	2	50,499	(11)
Loans and advances to customers	**298,003**	292,084	2	281,699	6	276,313	8
Other assets	**452,719**	464,803	(3)	463,004	(2)	414,773	9
Total assets	**795,910**	804,903	(1)	789,050	1	741,585	7
Liabilities							
Deposits by banks	**30,567**	30,521	–	30,255	1	28,986	5
Customer accounts	**441,147**	441,684	–	439,339	–	421,153	5
Other liabilities	**271,339**	280,423	(3)	268,727	1	241,549	12
Total liabilities	**743,053**	752,628	(1)	738,321	1	691,688	7
Equity	**52,857**	52,275	1	50,729	4	49,897	6
Total equity and liabilities	**795,910**	804,903	(1)	789,050	1	741,585	7
Advances-to-deposits ratio (%)[2]	**64.0%**	62.7%		61.1%		62.7%	
Liquidity coverage ratio (%)	**146%**	150%		143%		149%	

1 Variance is increase/(decrease)comparing current reporting period to prior reporting periods

2 The Group now excludes $16,213 million held with central banks (31.03.21: $15,996 million, 31.12.20: $14,296 million, 30.06.20: $13,595 million) that has been confirmed as repayable at the point of stress

The Group's balance sheet remains strong, liquid and well diversified:

- Loans and advances to customers increased 6 per cent since 31 December 2020 to $298 billion with double-digit growth in Trade and high single digit growth in Corporate Lending which in part benefited from a temporary increase in balances relating to upcoming initial public offerings in Hong Kong. Retail Mortgage balances grew for the fifth successive quarter
- Customer accounts of $441 billion were broadly stable since 31 December 2020 with an increase in Corporate operating accounts and Retail current and savings accounts offset by a reduction in Corporate and Retail time deposits
- Other assets declined 2 per cent since 31 December 2020 with reduced derivative assets and investment securities balances partly offset by increased balances at central banks and reverse repurchase agreements. Other liabilities increased 1 per cent from issued debt securities and other liabilities partly offset by reduced derivative liabilities

The advances-to-deposits ratio increased to 64.0 per cent from 61.1 per cent at 31 December 2020. The liquidity coverage ratio increased to 146 per cent from 143 per cent due to a reduction in the Group's high-quality liquid asset requirement through deposit optimisation and remains well above the minimum regulatory requirement of 100 per cent.

Risk-weighted assets

	30.06.21 $million	31.03.21 $million	Change[1] %	31.12.20 $million	Change[1] %	30.06.20 $million	Change[1] %
By risk type							
Credit risk	**229,348**	226,789	1	220,441	4	213,136	8
Operational risk	**27,116**	27,116	–	26,800	1	26,800	1
Market risk	**23,763**	22,765	4	21,593	10	22,616	5
Total RWAs	**280,227**	276,670	1	268,834	4	262,552	7

1 Variance is increase/(decrease) comparing current reporting period to prior reporting periods

Total risk-weighted assets (RWA) increased 4 per cent or $11 billion since 31 December 2020 to $280.2 billion:

- Credit Risk RWA increased by $8.9 billion in the first half to $229.3 billion with asset growth mostly due to increased client demand and activity partly offset by FX movements and RWA optimisation actions. Credit migration increased RWAs by $1.3 billion
- Operational Risk RWA increased $0.3 billion to $27.1 billion due to an increase in average income as measured over a rolling three-year time horizon, with higher 2020 income replacing lower 2017 income
- Market Risk RWA increased by $2.2 billion to $23.8 billion primarily due to increased internal models approach (IMA) positions and charges for IMA risks not in VaR

Capital base and ratios

	30.06.21 $million	31.03.21 $million	Change[1] %	31.12.20 $million	Change[1] %	30.06.20 $million	Change[1] %
CET1 capital	**39,589**	38,711	2	38,779	2	37,625	5
Additional Tier 1 capital (AT1)	**6,293**	6,293	–	5,612	12	5,612	12
Tier 1 capital	**45,882**	45,004	2	44,391	3	43,237	6
Tier 2 capital	**13,279**	13,527	(2)	12,657	5	13,231	–
Total capital	**59,161**	58,531	1	57,048	4	56,468	5
CET1 capital ratio (%)[2]	**14.1**	14.0	0.1	14.4	(0.3)	14.3	(0.2)
Total capital ratio (%)[2]	**21.1**	21.2	(0.1)	21.2	(0.1)	21.5	(0.4)
UK leverage ratio (%)[2]	**5.2**	5.1	0.1	5.2	–	5.2	–

1 Variance is increase/(decrease) comparing current reporting period to prior reporting periods

2 Change is percentage points difference between two points rather than percentage change

The Group's CET1 ratio of 14.1 per cent was 30 basis points lower than at 31 December 2020, 4.2 percentage points above the Group's latest regulatory minimum of 9.9 per cent and just above the 13-14 per cent medium-term target range. The Group's minimum CET1 requirement decreased to 9.9 per cent from 10 per cent at 31 December 2020 as the Group's Pillar 2A requirement (which is fixed in absolute terms) was reduced by higher RWA in the period.

Profit accretion in the first half increased the Group's CET1 ratio by approximately 70 basis points but this was broadly offset by an increase in RWAs, principally due to balance sheet growth, which decreased the CET1 ratio by approximately 70 basis points as well.

The CET1 ratio was reduced by 11 basis points due to higher regulatory deductions primarily relating to excess expected loss and the expiry of the prudential valuation adjustment temporary regulatory diversification benefit at the start of 2021. A net reduction in fair value through other comprehensive income reserves reduced the CET1 ratio by 5 basis points. These movements were partly offset by a 9 basis points increase in the value of the benefit from the revised treatment of software assets in CET1 reflecting an increase in capitalised software assets. The total benefit to CET1 from the revised treatment of software assets is now 31 basis points. On 9 July 2021, the PRA published a policy statement on implementing Basel standards which confirmed qualifying software assets would need to be deducted from CET1 from January 2022.

The Board has recommended a proposed interim 2021 ordinary share dividend of 3 cents a share for the first half of the year which is calculated formulaically at one-third of the prior year's full-year dividend, reducing the CET1 ratio by approximately 3 basis points.

The Group spent $255 million purchasing 37 million ordinary shares of $0.50 each during the first quarter, representing a volume-weighted average price per share of £4.92. These shares were subsequently cancelled, reducing the total issued share capital by 1.2 per cent and the CET1 ratio by 9 basis points.

The Board has decided to carry out an additional share buy-back imminently for up to a maximum consideration of $250 million to further reduce the number of ordinary shares in issue by cancelling the repurchased shares. The terms of the buy-back will be announced and the programme will start shortly and is expected to reduce the Group's CET1 ratio in the third quarter of 2021 by approximately 9 basis points.

The Group's UK leverage ratio of 5.2 per cent is the same as the ratio as at 31 December 2020 and remains significantly above its minimum requirement of 3.7 per cent.

Outlook

The recovery from the COVID-19 pandemic has been uneven and volatile, though encouragingly the trends we see as we exit the quarter are more positive in our bigger markets. Against this backdrop we expect:

- With the current level of normalised net interest margin and strong customer demand likely to continue in 2H'21, we still expect FY'21 income to be similar to that achieved in FY'20 on a constant currency basis and to return to our medium-term guidance of 5-7 per cent growth from FY'22
- We still expect expenses to remain below $10 billion in FY'21 excluding the impact of currency translation, though they may increase slightly driven by performance-related pay
- Excluding the impact of any unforeseeable events we expect credit impairment to remain low for the remainder of the year
- We intend to operate dynamically within the full CET1 13-14 per cent target range with an eye to the opportunities for growth, as well as credit and economic conditions and the strength of our earnings, as we continue our focus on safely improving our overall return on capital

Andy Halford
Group Chief Financial Officer

3 August 2021

Supplementary financial information

Underlying performance by client segment

	1H'21			
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Central & other items $million	Total $million
Operating income	4,292	2,969	357	7,618
External	4,087	2,773	758	7,618
Inter-segment	205	196	(401)	–
Operating expenses	(2,582)	(2,098)	(412)	(5,092)
Operating profit/(loss) before impairment losses and taxation	1,710	871	(55)	2,526
Credit impairment	136	(93)	4	47
Other impairment	(25)	–	–	(25)
Profit from associates and joint ventures	–	–	134	134
Underlying profit before taxation	1,821	778	83	2,682
Restructuring	(38)	(22)	(63)	(123)
Goodwill impairment	–	–	–	–
Other items	–	–	–	–
Statutory profit before taxation	1,783	756	20	2,559
Total assets	387,689	137,452	270,769	795,910
Of which: loans and advances to customers	197,732	134,291	23,153	355,176
loans and advances to customers	141,205	134,192	22,606	298,003
loans held at fair value through profit or loss (FVTPL)	56,527	99	547	57,173
Total liabilities	452,449	179,967	110,637	743,053
Of which: customer accounts[2]	307,619	175,556	8,417	491,592
Risk-weighted assets	174,613	56,164	49,450	280,227
Underlying return on tangible equity (%)	11.2	14.5	(3.6)	9.3
Cost-to-income ratio (%) (excluding UK bank levy)	60.2	70.7	113.7	66.8

	1H'20			
	Corporate, Commercial & Institutional Banking[1] $million	Consumer, Private & Business Banking[1] $million	Central & other items $million	Total $million
Operating income	4,655	2,909	483	8,047
External	4,662	2,355	1,030	8,047
Inter-segment	(7)	554	(547)	–
Operating expenses	(2,384)	(2,041)	(288)	(4,713)
Operating profit before impairment losses and taxation	2,271	868	195	3,334
Credit impairment	(1,107)	(450)	(10)	(1,567)
Other impairment	115	(1)	(2)	112
Profit from associates and joint ventures	–	–	76	76
Underlying profit before taxation	1,279	417	259	1,955
Restructuring	(74)	(6)	(10)	(90)
Goodwill impairment	–	–	(258)	(258)
Other items	–	–	20	20
Statutory profit before taxation	1,205	411	11	1,627
Total assets	369,781	120,529	251,275	741,585
Of which: loans and advances to customers	192,543	118,182	17,440	328,165
loans and advances to customers	140,888	118,000	17,425	276,313
loans held at fair value through profit or loss (FVTPL)	51,655	182	15	51,852
Total liabilities	446,498	168,264	76,926	691,688
Of which: customer accounts[2]	298,019	164,813	6,632	469,464
Risk-weighted assets	168,006	50,314	44,232	262,552
Underlying return on tangible equity (%)	7.6	8.2	(2.7)	6.0
Cost-to-income ratio (%)	51.2	70.2	59.6	58.6

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 Customer accounts includes FVTPL and repurchase agreements

Corporate, Commercial & Institutional Banking[1]

	1H'21 $million	1H'20 $million	Change[3] %	Constant currency change[2,3] %	2Q'21 $million	2Q'20 $million	Change[3] %	Constant currency change[2,3] %	1Q'21 $million	Change[3] %	Constant currency change[2,3] %
Operating income	**4,292**	4,655	(8)	(9)	**2,131**	2,151	(1)	(3)	2,161	(1)	(1)
Transaction Banking	**1,237**	1,473	(16)	(17)	**615**	699	(12)	(13)	622	(1)	(1)
Trade	**543**	470	16	15	**278**	221	26	24	265	5	5
Cash Management	**694**	1,003	(31)	(32)	**337**	478	(29)	(31)	357	(6)	(5)
Financial Markets	**2,590**	2,770	(6)	(8)	**1,270**	1,230	3	1	1,320	(4)	(3)
Macro Trading	**1,243**	1,579	(21)	(23)	**571**	754	(24)	(26)	672	(15)	(15)
Credit Markets	**936**	743	26	24	**495**	476	4	2	441	12	12
Credit Trading	**233**	156	49	47	**102**	181	(44)	(44)	131	(22)	(22)
Financing Solutions & Issuance	**703**	587	20	18	**393**	295	33	29	310	27	26
Structured Finance	**219**	180	22	20	**120**	88	36	35	99	21	21
Financing & Securities Services	**193**	164	18	14	**85**	113	(25)	(21)	108	(21)	(12)
DVA	**(1)**	104	(101)	(101)	**(1)**	(201)	100	99	–	nm[7]	nm[7]
Lending & Portfolio Management	**466**	421	11	9	**243**	227	7	5	223	9	9
Retail Products	**–**	1	(100)	(100)	**–**	1	(100)	nm[7]	–	nm[7]	nm[7]
Deposits	**–**	1	(100)	(100)	**–**	1	(100)	nm[7]	–	nm[7]	nm[7]
Other	**(1)**	(10)	90	90	**3**	(6)	150	143	(4)	175	175
Operating expenses	**(2,582)**	(2,384)	(8)	(5)	**(1,294)**	(1,208)	(7)	(3)	(1,288)	–	–
Operating profit before impairment losses and taxation	**1,710**	2,271	(25)	(25)	**837**	943	(11)	(10)	873	(4)	(3)
Credit impairment	**136**	(1,107)	112	112	**108**	(362)	130	129	28	nm[7]	nm[7]
Other impairment	**(25)**	115	(122)	(122)	**(9)**	(38)	76	76	(16)	44	40
Underlying profit before taxation	**1,821**	1,279	42	43	**936**	543	72	77	885	6	7
Restructuring	**(38)**	(74)	49	48	**(39)**	2	nm[7]	nm[7]	1	nm[7]	nm[7]
Statutory profit before taxation	**1,783**	1,205	48	49	**897**	545	65	69	886	1	2
Total assets	**387,689**	369,781	5	3	**387,689**	369,781	5	3	388,867	–	–
Of which: loans and advances to customers[4]	**197,732**	192,543	3	1	**197,732**	192,543	3	1	192,953	2	2
Total liabilities	**452,449**	446,498	1	–	**452,449**	446,498	1	–	488,661	(7)	(8)
Of which: customer accounts[4]	**307,619**	298,019	3	1	**307,619**	298,019	3	1	317,934	(3)	(3)
Risk-weighted assets	**174,613**	168,006	4	nm[7]	**174,613**	168,006	4	nm[7]	168,646	4	nm[7]
Underlying return on risk-weighted assets (%)[5]	**2.2**	1.5	70bps	nm[7]	**2.2**	1.3	90bps	nm[7]	2.1	10bps	nm[7]
Underlying return on tangible equity (%)[5]	**11.2**	7.6	360bps	nm[7]	**11.2**	6.3	490bps	nm[7]	11.1	10bps	nm[7]
Cost-to-income ratio (%)[6]	**60.2**	51.2	(9.0)	(8.3)	**60.7**	56.2	(4.5)	(3.3)	59.6	(1.1)	(0.9)

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6 Change is the percentage points difference between the two periods rather than the percentage change

7 Not meaningful

Performance highlights

- Underlying profit before tax of $1,821 million was up 42 per cent driven by lower credit impairments, partially offset by lower income, increased expenses and a non-repeat of a $165 million other impairment recovery in 1Q'20
- Underlying operating income of $4,292 million was down 8 per cent (down 6 per cent excluding DVA) primarily as a result of lower Macro Trading income in Financial Markets and the lower interest rate environment impacting Cash Management, partially offset by an increase in Trade income as global trade activity rebounded post the pandemic
- Good balance sheet momentum with loans and advances to customers up 2 per cent since 31 March 2021
- Risk-weighted assets up $6 billion since 31 March 2021 mainly as a result of asset growth and increased market risk RWA
- RoTE increased from 7.6 per cent to 11.2 per cent

Consumer, Private & Business Banking[1]

	1H'21 $million	1H'20 $million	Change[3] %	Constant currency change[2,3] %	2Q'21 $million	2Q'20 $million	Change[3] %	Constant currency change[2,3] %	1Q'21 $million	Change[3] %	Constant currency change[2,3] %
Operating income	**2,969**	2,909	2	–	**1,438**	1,386	4	1	1,531	(6)	(6)
Transaction Banking	**43**	48	(10)	(14)	**22**	22	–	(13)	21	5	(5)
Trade	**25**	20	25	19	**13**	9	44	30	12	8	8
Cash Management	**18**	28	(36)	(38)	**9**	13	(31)	(43)	9	–	(20)
Lending & Portfolio Management	**20**	19	5	5	**10**	8	25	11	10	–	–
Wealth Management	**1,200**	976	23	21	**554**	440	26	24	646	(14)	(14)
Retail Products	**1,695**	1,858	(9)	(11)	**846**	912	(7)	(10)	849	–	–
CCPL & other unsecured lending	**640**	599	7	4	**320**	295	8	4	320	–	–
Deposits	**442**	884	(50)	(51)	**209**	412	(49)	(51)	233	(10)	(10)
Mortgage & Auto	**515**	305	69	61	**268**	169	59	51	247	9	9
Other Retail Products	**98**	70	40	40	**49**	36	36	39	49	–	4
Other	**11**	8	38	22	**6**	4	50	20	5	20	20
Operating expenses	**(2,098)**	(2,041)	(3)	–	**(1,093)**	(1,012)	(8)	(4)	(1,005)	(9)	(9)
Operating profit before impairment losses and taxation	**871**	868	–	–	**345**	374	(8)	(9)	526	(34)	(35)
Credit impairment	**(93)**	(450)	79	80	**(46)**	(248)	81	81	(47)	2	(2)
Other impairment	**–**	(1)	100	100	**–**	(1)	100	100	–	nm[7]	nm[7]
Underlying profit before taxation	**778**	417	87	89	**299**	125	139	136	479	(38)	(38)
Restructuring	**(22)**	(6)	nm[7]	nm[7]	**(13)**	(1)	nm[7]	nm[7]	(9)	(44)	(33)
Statutory profit before taxation	**756**	411	84	87	**286**	124	131	130	470	(39)	(40)
Total assets	**137,452**	120,529	14	11	**137,452**	120,529	14	11	135,514	1	1
Of which: loans and advances to customers[4]	**134,291**	118,182	14	10	**134,291**	118,182	14	10	132,602	1	1
Total liabilities	**179,967**	168,264	7	4	**179,967**	168,264	7	4	178,894	1	–
Of which: customer accounts[4]	**175,556**	164,813	7	4	**175,556**	164,813	7	4	174,510	1	–
Risk-weighted assets	**56,164**	50,314	12	nm[7]	**56,164**	50,314	12	nm[7]	56,140	–	nm[7]
Underlying return on risk-weighted assets (%)[5]	**2.8**	1.6	120bps	nm[7]	**2.1**	1.0	110bps	nm[7]	3.5	(140)bps	nm[7]
Underlying return on tangible equity (%)[5]	**14.5**	8.2	630bps	nm[7]	**11.0**	5.0	600bps	nm[7]	18.1	(710)bps	nm[7]
Cost-to-income ratio (%)[6]	**70.7**	70.2	(0.5)	(0.1)	**76.0**	73.0	(3.0)	(2.7)	65.6	(10.4)	(10.5)

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7 Not meaningful

Performance highlights

- Underlying profit before tax of $778 million was up 87 per cent, driven by higher income and significantly lower credit impairments, partially offset by higher expenses
- Underlying operating income of $2,969 million was up 2 per cent as strong double-digit increases in Wealth Management and Mortgage & Auto income more than offset the impact of lower interest rates on Retail Deposits
- Loans and advances to customers were up 1 per cent since 31 March 2021
- RoTE increased from 8.2 per cent to 14.5 per cent

Central & other items (segment)

	1H'21 $million	1H'20 $million	Change[2] %	Constant currency change[1,2] %	2Q'21 $million	2Q'20 $million	Change[2] %	Constant currency change[1,2] %	1Q'21 $million	Change[2] %	Constant currency change[1,2] %
Operating income	**357**	483	(26)	(28)	**120**	183	(34)	(38)	237	(49)	(49)
Treasury	**394**	503	(22)	(22)	**137**	178	(23)	(24)	257	(47)	(46)
Other	**(37)**	(20)	(85)	(200)	**(17)**	5	nm[6]	nm[6]	(20)	15	5
Operating expenses	**(412)**	(288)	(43)	(23)	**(211)**	(135)	(56)	(24)	(201)	(5)	(4)
Operating Profit/(loss) before impairment losses and taxation	**(55)**	195	(128)	(135)	**(91)**	48	nm[6]	nm[6]	36	nm[6]	nm[6]
Credit impairment	**4**	(10)	140	183	**5**	(1)	nm[6]	nm[6]	(1)	nm[6]	nm[6]
Other impairment	**–**	(2)	100	100	**–**	(3)	100	100	–	nm[6]	nm[6]
Profit from associates and joint ventures	**134**	76	76	76	**87**	21	nm[6]	nm[6]	47	85	89
Underlying profit before taxation	**83**	259	(68)	(63)	**1**	65	(98)	(95)	82	(99)	(98)
Restructuring	**(63)**	(10)	nm[6]	nm[6]	**(38)**	1	nm[6]	nm[6]	(25)	(52)	(52)
Goodwill impairment	**–**	(258)	100	100	**–**	–	nm[6]	nm[6]	–	nm[6]	nm[6]
Other items	**–**	20	(100)	(100)	**–**	6	(100)	(100)	–	nm[6]	nm[6]
Statutory Profit/(loss) before taxation	**20**	11	82	195	**(37)**	72	(151)	(175)	57	(165)	(165)
Total assets	**270,769**	251,275	8	6	**270,769**	251,275	8	6	280,522	(3)	(4)
Of which: loans and advances to customers[3]	**23,153**	17,440	33	28	**23,153**	17,440	33	28	21,620	7	7
Total liabilities	**110,637**	76,926	44	43	**110,637**	76,926	44	43	85,073	30	30
Of which: customer accounts[3]	**8,417**	6,632	27	24	**8,417**	6,632	27	24	8,503	(1)	(1)
Risk-weighted assets	**49,450**	44,232	12	nm[6]	**49,450**	44,232	12	nm[6]	51,884	(5)	nm[6]
Underlying return on risk-weighted assets (%)[4]	**0.3**	1.0	(70)bps	nm[6]	**–**	0.6	(60)bps	nm[6]	0.6	(60)bps	nm[6]
Underlying return on tangible equity (%)[4]	**(3.6)**	(2.7)	(90)bps	nm[6]	**(9.3)**	(9.9)	60bps	nm[6]	1.7	(1,100)bps	nm[6]
Cost-to-income ratio % (excluding UK bank levy)[5]	**113.7**	59.6	(54.1)	(45.8)	**170.8**	73.8	(97.0)	(82.7)	84.8	(86.0)	(85.6)

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6 Not meaningful

Performance highlights

- Underlying profit before tax more than halved to $83 million with income down 26 per cent, reflecting lower realisation gains within Treasury
- Expenses increased 43 per cent with a normalisation of performance-related pay accruals
- Profit from associates and joint ventures increased by 76 per cent primarily from China Bohai Bank on improved performance and lower impairments, as well as normalisation of revenue recognition. In 1H'20, the Group could only recognise its share of the profits of its associate China Bohai Bank for four rather than six months due to the timing of China Bohai Bank's initial public offering in July 2020. This was partly offset by the Group's share of China Bohai Bank's profits reducing to 16.26 per cent in 1H'21 compared to 19.99 per cent in 1H'20, reflecting the Group's reduced shareholding in China Bohai Bank post the initial public offering

Underlying performance by region

	1H'21				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	5,463	1,250	993	(88)	7,618
Operating expenses	(3,298)	(815)	(725)	(254)	(5,092)
Operating profit/(loss) before impairment losses and taxation	2,165	435	268	(342)	2,526
Credit impairment	(47)	40	62	(8)	47
Other impairment	(15)	–	7	(17)	(25)
Profit from associates and joint ventures	136	–	–	(2)	134
Underlying profit/(loss) before taxation	2,239	475	337	(369)	2,682
Restructuring	(27)	(3)	(20)	(73)	(123)
Goodwill impairment	–	–	–	–	–
Other items	–	–	–	–	–
Statutory profit/(loss) before taxation	2,212	472	317	(442)	2,559
Total assets	467,933	57,797	261,041	9,139	795,910
Of which: loans and advances to customers	255,630	29,825	69,721	–	355,176
loans and advances to customers	240,297	27,256	30,450	–	298,003
loans held at fair value through profit or loss (FVTPL)	15,333	2,569	39,271	–	57,173
Total liabilities	418,583	39,464	213,713	71,293	743,053
Of which: customer accounts[2]	334,639	32,847	124,106	–	491,592
Risk-weighted assets	182,172	52,596	48,556	(3,097)	280,227
Cost-to-income ratio (%) (excluding UK bank levy)	60.4	65.2	73.0	nm[3]	66.8

	1H'20				
	Asia[1] $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	5,520	1,255	1,095	177	8,047
Operating expenses	(3,027)	(793)	(661)	(232)	(4,713)
Operating profit/(loss) before impairment losses and taxation	2,493	462	434	(55)	3,334
Credit impairment	(1,127)	(370)	(80)	10	(1,567)
Other impairment	150	(2)	2	(38)	112
Profit from associates and joint ventures	74	–	–	2	76
Underlying profit/(loss) before taxation	1,590	90	356	(81)	1,955
Restructuring	(50)	(9)	(10)	(21)	(90)
Goodwill impairment	–	–	–	(258)	(258)
Other items	–	–	–	20	20
Statutory profit/(loss) before taxation	1,540	81	346	(340)	1,627
Total assets	443,860	63,927	223,226	10,572	741,585
Of which: loans and advances to customers	229,743	33,083	65,339	–	328,165
loans and advances to customers	217,795	30,264	28,254	–	276,313
loans held at fair value through profit or loss (FVTPL)	11,948	2,819	37,085	–	51,852
Total liabilities	390,315	40,740	217,300	43,333	691,688
Of which: customer accounts[2]	314,910	32,530	122,024	–	469,464
Risk-weighted assets	169,179	52,009	44,326	(2,962)	262,552
Cost-to-income ratio (%)	54.8	63.2	60.4	131.1	58.6

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2 Customer accounts includes FVTPL and repurchase agreements

3 Not meaningful

Asia[1]

	1H'21 $million	1H'20 $million	Change[3] %	Constant currency change[2,3] %	2Q'21 $million	2Q'20 $million	Change[3] %	Constant currency change[2,3] %	1Q'21 $million	Change[3] %	Constant currency change[2,3] %
Operating income	**5,463**	5,520	(1)	(3)	**2,646**	2,547	4	1	2,817	(6)	(6)
Operating expenses	**(3,298)**	(3,027)	(9)	(6)	**(1,726)**	(1,502)	(15)	(11)	(1,572)	(10)	(10)
Operating profit before impairment losses and taxation	**2,165**	2,493	(13)	(15)	**920**	1,045	(12)	(14)	1,245	(26)	(26)
Credit impairment	**(47)**	(1,127)	96	96	**11**	(478)	102	102	(58)	119	121
Other impairment	**(15)**	150	(110)	(110)	**(15)**	(15)	–	–	–	nm[6]	nm[6]
Profit from associates and joint ventures	**136**	74	84	84	**89**	21	nm[6]	nm[6]	47	89	87
Underlying profit before taxation	**2,239**	1,590	41	40	**1,005**	573	75	73	1,234	(19)	(19)
Restructuring	**(27)**	(50)	46	46	**(22)**	–	nm[6]	nm[6]	(5)	nm[6]	nm[6]
Statutory profit before taxation	**2,212**	1,540	44	42	**983**	573	72	70	1,229	(20)	(20)
Total assets	**467,933**	443,860	5	3	**467,933**	443,860	5	3	468,748	–	–
Of which: loans and advances to customers[4]	**255,630**	229,743	11	8	**255,630**	229,743	11	8	247,424	3	3
Total liabilities	**418,583**	390,315	7	5	**418,583**	390,315	7	5	418,288	–	–
Of which: customer accounts[4]	**334,639**	314,910	6	4	**334,639**	314,910	6	4	334,908	–	–
Risk-weighted assets	**182,172**	169,179	8	nm[6]	**182,172**	169,179	8	nm[6]	178,541	2	nm[6]
Cost-to-income ratio (%)[5]	**60.4**	54.8	(5.6)	(5.2)	**65.2**	59.0	(6.2)	(5.9)	55.8	(9.4)	(9.6)

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6 Not meaningful

Performance highlights

- Underlying profit before tax of $2,239 million was up 41 per cent as significantly lower credit impairments more than offset lower income, higher expenses and a non-repeat of a $165 million other impairment recovery in 1Q'20
- Underlying operating income of $5,463 million was down 1 per cent, predominantly driven by lower trading income in Financial Markets, and the lower interest rate environment impacting margins. This was partially offset by a strong performance in Wealth Management, Mortgages, Lending, Trade products and Treasury realisation gains in our key Asian markets
- Loans and advances to customers were up 3 per cent since 31 March 2021, predominantly driven by Lending in Hong Kong and China, Trade in Hong Kong and Singapore and Mortgage book growth in Korea, Hong Kong and Singapore
- Risk-weighted assets were up $4 billion since 31 March 2021

Africa & Middle East

	1H'21 $million	1H'20 $million	Change[2] %	Constant currency change[1,2] %	2Q'21 $million	2Q'20 $million	Change[2] %	Constant currency change[1,2] %	1Q'21 $million	Change[2] %	Constant currency change[1,2] %
Operating income	**1,250**	1,255	–	1	**660**	594	11	10	590	12	12
Operating expenses	**(815)**	(793)	(3)	(3)	**(422)**	(390)	(8)	(4)	(393)	(7)	(7)
Operating profit before impairment losses and taxation	**435**	462	(6)	(3)	**238**	204	17	24	197	21	24
Credit impairment	**40**	(370)	111	111	**47**	(159)	130	131	(7)	nm[5]	nm[5]
Other impairment	**–**	(2)	100	100	**–**	(2)	100	100	–	nm[5]	nm[5]
Underlying profit before taxation	**475**	90	nm[5]	nm[5]	**285**	43	nm[5]	nm[5]	190	50	54
Restructuring	**(3)**	(9)	67	67	**(2)**	(2)	–	(100)	(1)	(100)	nm
Statutory profit before taxation	**472**	81	nm[5]	nm[5]	**283**	41	nm[5]	nm[5]	189	50	53
Total assets	**57,797**	63,927	(10)	(11)	**57,797**	63,927	(10)	(11)	57,618	–	–
Of which: loans and advances to customers[3]	**29,825**	33,083	(10)	(11)	**29,825**	33,083	(10)	(11)	28,548	4	4
Total liabilities	**39,464**	40,740	(3)	(5)	**39,464**	40,740	(3)	(5)	39,102	1	1
Of which: customer accounts[3]	**32,847**	32,530	1	(1)	**32,847**	32,530	1	(1)	31,465	4	4
Risk-weighted assets	**52,596**	52,009	1	nm[5]	**52,596**	52,009	1	nm[5]	50,640	4	nm[5]
Cost-to-income ratio (%)[4]	**65.2**	63.2	(2.0)	(1.2)	**63.9**	65.7	1.8	3.9	66.6	2.7	3.5

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5 Not meaningful

Performance highlights

- Underlying profit before tax of $475 million, our highest in the last five years, increased over five-fold, driven by significantly reduced credit impairments, Wealth Management growth, productivity actions and a strong pipeline; partly offset by the flow-through impact of interest rate cuts
- Underlying operating income of $1,250 million was flat (up 1 per cent on a constant currency basis); the significant impact of interest rate cuts was largely offset by growth in Wealth Management income and healthy pipeline conversion
- Continued progress on the digital agenda helped drive Consumer, Private & Business Banking income growth which was 1 per cent higher (up 3 per cent on a constant currency basis)
- UAE has returned to profitability in 1H'21 on the back of lower credit impairments and broad-based efficiency actions
- Loans and advances to customers and customer accounts were both up 4 per cent since 31 March 2021
- Risk-weighted assets were up $2 billion since 31 March 2021

Europe & Americas

	1H'21 $million	1H'20 $million	Change[2] %	Constant currency change[1,2] %	2Q'21 $million	2Q'20 $million	Change[2] %	Constant currency change[1,2] %	1Q'21 $million	Change[2] %	Constant currency change[1,2] %
Operating income	**993**	1,095	(9)	(11)	**443**	549	(19)	(21)	550	(19)	(20)
Operating expenses	**(725)**	(661)	(10)	(6)	**(359)**	(318)	(13)	(9)	(366)	2	2
Operating profit before impairment losses and taxation	**268**	434	(38)	(38)	**84**	231	(64)	(64)	184	(54)	(55)
Credit impairment	**62**	(80)	178	178	**15**	22	(32)	(29)	47	(68)	(69)
Other impairment	**7**	2	nm[5]	nm[5]	**5**	2	150	150	2	150	150
Underlying profit before taxation	**337**	356	(5)	(3)	**104**	255	(59)	(59)	233	(55)	(56)
Restructuring	**(20)**	(10)	(100)	(100)	**(1)**	4	(125)	(100)	(19)	95	100
Statutory profit before taxation	**317**	346	(8)	(6)	**103**	259	(60)	(60)	214	(52)	(52)
Total assets	**261,041**	223,226	17	16	**261,041**	223,226	17	16	269,560	(3)	(3)
Of which: loans and advances to customers[3]	**69,721**	65,339	7	5	**69,721**	65,339	7	5	71,203	(2)	(2)
Total liabilities	**213,713**	217,300	(2)	(3)	**213,713**	217,300	(2)	(3)	224,097	(5)	(5)
Of which: customer accounts[3]	**124,106**	122,024	2	–	**124,106**	122,024	2	–	134,574	(8)	(8)
Risk-weighted assets	**48,556**	44,326	10	nm[5]	**48,556**	44,326	10	nm[5]	49,848	(3)	nm[5]
Cost-to-income ratio (%)[4]	**73.0**	60.4	(12.6)	(11.7)	**81.0**	57.9	(23.1)	(22.3)	66.5	(14.5)	(14.6)

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

2 Variance is better/(worse) other than risk-weighted assets, assets and liabilities which is increase/(decrease)

3 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements

4 Change is the percentage points difference between the two periods rather than the percentage change

5 Not meaningful

Performance highlights

- Underlying profit before tax of $337 million was down 5 per cent, driven by lower income and higher expenses, partially offset by lower credit impairment
- Underlying operating income of $993 million was down 9 per cent (down 4 per cent excluding the impact of DVA) driven by margin compression in Cash Management and the non-repeat of prior year realisation gains in Treasury Markets from the sale of longer-dated securities as bond yields fell. This was partially offset in Trade as global trade activity improved from the peak of the pandemic
- Loans and advances to customers were down 2 per cent since 31 March 2021, while customer accounts were down 8 per cent

Central & other items (region)

	1H'21 $million	1H'20 $million	Change[2] %	Constant currency change[1,2] %	2Q'21 $million	2Q'20 $million	Change[2] %	Constant currency change[1,2] %	1Q'21 $million	Change[2] %	Constant currency change[1,2] %
Operating income	**(88)**	177	(150)	(150)	**(60)**	30	nm[4]	nm[4]	(28)	(114)	(111)
Operating expenses	**(254)**	(232)	(9)	10	**(91)**	(145)	37	51	(163)	44	45
Operating loss before impairment losses and taxation	**(342)**	(55)	nm[4]	nm[4]	**(151)**	(115)	(31)	3	(191)	21	23
Credit impairment	**(8)**	10	(180)	(190)	**(6)**	4	nm[4]	nm[4]	(2)	(200)	nm[4]
Other impairment	**(17)**	(38)	55	55	**1**	(27)	104	104	(18)	106	106
Profit from associates and joint ventures	**(2)**	2	(200)	(200)	**(2)**	–	nm[4]	nm[4]	–	nm[4]	–
Underlying loss before taxation	**(369)**	(81)	nm[4]	(174)	**(158)**	(138)	(14)	11	(211)	25	27
Restructuring	**(73)**	(21)	nm[4]	nm[4]	**(65)**	–	nm[4]	nm[4]	(8)	nm[4]	nm[4]
Goodwill impairment	**–**	(258)	100	100	**–**	–	nm[4]	nm[4]	–	nm[4]	nm[4]
Other items	**–**	20	(100)	(100)	**–**	6	(100)	(100)	–	nm[4]	nm[4]
Statutory loss before taxation	**(442)**	(340)	(30)	(13)	**(223)**	(132)	(69)	(30)	(219)	(2)	–
Total assets	**9,139**	10,572	(14)	(14)	**9,139**	10,572	(14)	(14)	8,977	2	2
Total liabilities	**71,293**	43,333	65	64	**71,293**	43,333	65	64	71,141	–	–
Risk-weighted assets	**(3,097)**	(2,962)	(5)	nm[4]	**(3,097)**	(2,962)	(5)	nm[4]	(2,359)	(31)	nm[4]
Cost-to-income ratio % (excluding UK bank levy)[3]	**nm[4]**	131.1	nm[4]	nm[4]	**(141.7)**	nm[4]	nm[4]	nm[4]	nm[4]	nm[4]	nm[4]

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

2 Variance is better/(worse) other than risk-weighted assets, assets and liabilities which is increase/(decrease)

3 Change is the percentage points difference between the two periods rather than the percentage change

4 Not meaningful

Performance highlights

- Underlying loss before tax of $369 million compared to 1H'20 loss of $81 million was mainly due to lower returns paid to Treasury on the equity provided to the regions in a lower interest rate environment and increased expenses reflecting a normalisation of performance-related pay accruals

Underlying performance by key market

	1H'21								
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Operating income	1,844	580	569	818	613	109	276	484	389
Operating expenses	(970)	(387)	(364)	(523)	(348)	(90)	(179)	(340)	(280)
Operating profit before impairment losses and taxation	874	193	205	295	265	19	97	144	109
Credit impairment	(42)	8	(24)	69	19	(6)	28	25	14
Other impairment	(16)	–	–	–	–	–	–	30	–
Profit from associates and joint ventures	–	–	135	–	–	–	–	–	–
Underlying profit before taxation	816	201	316	364	284	13	125	199	123
Total assets employed	172,431	66,476	39,738	88,779	28,882	4,877	18,961	180,913	64,471
Of which: loans and advances to customers[1]	86,230	43,537	18,499	56,440	14,611	2,058	9,998	48,283	16,733
Total liabilities employed	162,983	57,206	34,658	86,302	20,674	3,567	13,856	130,551	69,891
Of which: customer accounts[1]	133,956	45,637	25,635	66,750	14,819	2,523	11,012	76,725	39,189
Cost-to-income ratio (%)	52.6	66.7	64.0	63.9	56.8	82.6	64.9	70.2	72.0

	1H'20								
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Operating income	1,830	549	474	790	724	196	318	567	431
Operating expenses	(948)	(343)	(309)	(475)	(318)	(85)	(198)	(324)	(260)
Operating profit before impairment losses and taxation	882	206	165	315	406	111	120	243	171
Credit impairment	(162)	(15)	(102)	(438)	(167)	(64)	(192)	(65)	(13)
Other impairment	(15)	–	–	–	–	–	–	2	–
Profit from associates and joint ventures	–	–	74	–	–	–	–	–	–
Underlying profit/(loss) before taxation	705	191	137	(123)	239	47	(72)	180	158
Total assets employed	161,959	59,516	35,142	86,599	28,907	5,154	23,331	149,632	62,010
Of which: loans and advances to customers[1]	77,549	37,347	16,240	49,959	15,057	2,398	11,737	41,611	19,270
Total liabilities employed	150,645	52,033	29,938	82,231	19,631	3,537	15,835	142,100	65,853
Of which: customer accounts[1]	126,463	42,937	23,125	62,667	13,906	2,324	12,223	81,179	36,043
Cost-to-income ratio (%)	51.8	62.5	65.2	60.1	43.9	43.4	62.3	57.1	60.3

1 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements

Quarterly underlying operating income by product

	2Q'21 $million	1Q'21 $million	4Q'20 $million	3Q'20 $million	2Q'20 $million	1Q'20 $million	4Q'19 $million	3Q'19 $million
Transaction Banking	**637**	643	652	665	721	800	834	887
Trade	**291**	277	249	255	230	260	259	282
Cash Management	**346**	366	403	410	491	540	575	605
Financial Markets[1]	**1,270**	1,320	957	1,185	1,230	1,540	1,038	1,147
Macro Trading[1]	**571**	672	435	518	754	825	458	463
Credit Markets	**495**	441	414	464	476	267	376	427
Credit Trading	**102**	131	119	129	181	(25)	83	110
Financing Solutions & Issuance	**393**	310	295	335	295	292	293	317
Structured Finance	**120**	99	101	101	88	92	160	96
Financing & Securities Services	**85**	108	76	124	113	51	116	147
DVA	**(1)**	–	(69)	(22)	(201)	305	(72)	14
Lending & Portfolio Management	**253**	233	218	226	235	205	207	212
Wealth Management[1]	**554**	646	442	572	440	536	415	488
Retail Products	**846**	849	848	859	913	946	960	975
CCPL & other unsecured lending	**320**	320	303	309	295	304	311	315
Deposits	**209**	233	271	301	413	472	484	510
Mortgage & Auto	**268**	247	234	211	169	136	130	123
Other Retail Products	**49**	49	40	38	36	34	35	27
Treasury	**137**	257	92	40	178	325	196	335
Other	**(8)**	(19)	(10)	(28)	3	(25)	(53)	(66)
Total underlying operating income	**3,689**	3,929	3,199	3,519	3,720	4,327	3,597	3,978

1 Following a reorganisation of certain clients, there has been a reclassification of balances across products. Prior period has been restated from 1Q'20

Earnings per ordinary share

	1H'21 $million	1H'20 $million	Change %	2Q'21 $million	2Q'20 $million	Change %	1Q'21 $million	Change %
Profit for the period attributable to equity holders	**1,928**	1,066	81	**829**	549	51	1,099	(25)
Non-controlling interest	**(14)**	(18)	22	**(6)**	(11)	45	(7)	14
Dividend payable on preference shares and AT1 classified as equity	**(196)**	(232)	16	**(132)**	(199)	34	(65)	(103)
Profit for the period attributable to ordinary shareholders	**1,718**	816	111	**691**	339	104	1,027	(33)
Items normalised:								
Provision for regulatory matters	**–**	(14)	nm[1]	**–**	–	nm[1]	–	nm[1]
Restructuring	**123**	90	37	**90**	(2)	nm[1]	33	173
Goodwill impairment	**–**	258	nm[1]	**–**	–	nm[1]	–	nm[1]
Net gain on sale of Businesses	**–**	(6)	nm[1]	**–**	(6)	nm[1]	–	nm[1]
Tax on normalised items	**(15)**	(6)	(150)	**(8)**	(3)	(167)	(7)	(14)
Underlying profit	**1,826**	1,138	60	**773**	328	136	1,053	(27)
Basic - Weighted average number of shares (millions)	**3,133**	3,168	nm[1]	**3,121**	3,150	nm[1]	3,146	nm[1]
Diluted - Weighted average number of shares (millions)	**3,185**	3,204	nm[1]	**3,169**	3,190	nm[1]	3,200	nm[1]
Basic earnings per ordinary share (cents)[2]	**54.8**	25.8	29.0	**22.1**	10.8	11.3	32.6	(10.5)
Diluted earnings per ordinary share (cents)[2]	**53.9**	25.5	28.4	**21.8**	10.6	11.2	32.1	(10.3)
Underlying basic earnings per ordinary share (cents)[2]	**58.3**	35.9	22.4	**24.8**	10.4	14.4	33.5	(8.7)
Underlying diluted earnings per ordinary share (cents)[2]	**57.3**	35.5	21.8	**24.4**	10.3	14.1	32.9	(8.5)

1 Not meaningful

2 Change is the percentage points difference between the two periods rather than the percentage change

Return on Tangible Equity

	1H'21 $million	1H'20 $million	Change %	2Q'21 $million	2Q'20 $million	Change %	1Q'21 $million	Change %
Average parent company Shareholders' Equity	**46,242**	44,567	4	**46,460**	44,623	4	46,026	1
Less Preference share premium	**(1,494)**	(1,494)	–	**(1,494)**	(1,494)	–	(1,494)	–
Less Average intangible assets	**(5,098)**	(5,025)	(1)	**(5,129)**	(4,960)	(3)	(5,068)	(1)
Average Ordinary Shareholders' Tangible Equity	**39,650**	38,048	4	**39,837**	38,169	4	39,464	1
Profit for the period attributable to equity holders	**1,928**	1,066	81	**829**	549	51	1,099	(25)
Non-controlling interests	**(14)**	(18)	22	**(6)**	(11)	45	(7)	14
Dividend payable on preference shares and AT1 classified as equity	**(196)**	(232)	16	**(132)**	(199)	34	(65)	(103)
Profit for the period attributable to ordinary shareholders	**1,718**	816	111	**691**	339	104	1,027	(33)
Items normalised:								
Provision for regulatory matters	**–**	(14)	nm[1]	**–**	–	nm[1]	–	nm[1]
Restructuring	**123**	90	37	**90**	(2)	nm[1]	33	173
Goodwill Impairment	**–**	258	nm[1]	**–**	–	nm[1]	–	nm[1]
Net gain on sale of businesses	**–**	(6)	nm[1]	**–**	(6)	nm[1]	–	nm[1]
Tax on normalised items	**(15)**	(6)	(150)	**(8)**	(3)	(167)	(7)	(14)
Underlying profit for the period attributable to ordinary shareholders	**1,826**	1,138	60	**773**	328	136	1,053	(27)
Underlying Return on Tangible Equity	**9.3%**	6.0%	330bps	**7.8%**	3.5%	430bps	10.8%	(300)bps
Statutory Return on Tangible Equity	**8.7%**	4.3%	440bps	**7.0%**	3.6%	340bps	10.6%	(360)bps

1 Not meaningful

Net Tangible Asset Value per Share

	30.06.21 $million	30.06.20 $million	Change %	31.12.20 $million	Change %	31.03.21 $million	Change %
Parent company shareholders' equity	**46,752**	45,058	4	45,886	2	46,166	1
Less Preference share premium	**(1,494)**	(1,494)	–	(1,494)	–	(1,494)	–
Less Intangible assets	**(5,187)**	(5,029)	(3)	(5,063)	(2)	(5,072)	(2)
Net shareholders tangible equity	**40,071**	38,535	4	39,329	2	39,600	1
Ordinary shares in issue, excluding own shares (millions)	**3,119**	3,148	(1)	3,150	(1)	3,118	–
Net Tangible Asset Value per share (cents)[1]	**1,285**	1,224	61	1,249	36	1,270	15

1 Change is cents difference between the two periods rather than percentage change

Underlying versus statutory results reconciliations

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

Operating income by client segment

	1H'21			
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Central & other items $million	Total $million
Underlying operating income	4,292	2,969	357	7,618
Restructuring	12	–	(2)	10
Other items	–	–	–	–
Statutory operating income	4,304	2,969	355	7,628

	1H'20			
	Corporate, Commercial & Institutional Banking[1] $million	Consumer, Private & Business Banking[1] $million	Central & other items $million	Total $million
Underlying operating income	4,655	2,909	483	8,047
Restructuring	47	–	(1)	46
Other items	–	–	6	6
Statutory operating income	4,702	2,909	488	8,099

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

Operating income by region

	1H'21				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Underlying operating income	5,463	1,250	993	(88)	7,618
Restructuring	25	2	–	(17)	10
Other items	–	–	–	–	–
Statutory operating income	5,488	1,252	993	(105)	7,628

	1H'20				
	Asia[1] $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Underlying operating income	5,520	1,255	1,095	177	8,047
Restructuring	52	6	–	(12)	46
Other items	–	–	–	6	6
Statutory operating income	5,572	1,261	1,095	171	8,099

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

Profit before taxation (PBT)

	1H'21					
	Underlying $million	Provision for regulatory matters $million	Restructuring $million	Net gain on businesses disposed/ held for sale $million	Goodwill impairment $million	Statutory $million
Operating income	7,618	–	10	–	–	7,628
Operating expenses	(5,092)	–	(129)	–	–	(5,221)
Operating profit/(loss) before impairment losses and taxation	2,526	–	(119)	–	–	2,407
Credit impairment	47	–	4	–	–	51
Other impairment	(25)	–	(15)	–	–	(40)
Profit from associates and joint ventures	134	–	7	–	–	141
Profit/(loss) before taxation	2,682	–	(123)	–	–	2,559

	1H'20					
	Underlying $million	Provision for regulatory matters $million	Restructuring $million	Net gain on businesses disposed/ held for sale $million	Goodwill impairment $million	Statutory $million
Operating income	8,047	–	46	6	–	8,099
Operating expenses	(4,713)	14	(49)	–	–	(4,748)
Operating profit/(loss) before impairment losses and taxation	3,334	14	(3)	6	–	3,351
Credit impairment	(1,567)	–	(9)	–	–	(1,576)
Other impairment	112	–	(77)	–	(258)	(223)
Profit from associates and joint ventures	76	–	(1)	–	–	75
Profit/(loss) before taxation	1,955	14	(90)	6	(258)	1,627

Profit before taxation (PBT) by client segment

	1H'21			
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Central & other items $million	Total $million
Operating income	4,292	2,969	357	7,618
External	4,087	2,773	758	7,618
Inter-segment	205	196	(401)	–
Operating expenses	(2,582)	(2,098)	(412)	(5,092)
Operating profit/(loss) before impairment losses and taxation	1,710	871	(55)	2,526
Credit impairment	136	(93)	4	47
Other impairment	(25)	–	–	(25)
Profit from associates and joint ventures	–	–	134	134
Underlying profit before taxation	1,821	778	83	2,682
Restructuring	(38)	(22)	(63)	(123)
Goodwill impairment	–	–	–	–
Other items	–	–	–	–
Statutory profit before taxation	1,783	756	20	2,559

	1H'20			
	Corporate, Commercial & Institutional Banking[1] $million	Consumer, Private & Business Banking[1] $million	Central & other items $million	Total $million
Operating income	4,655	2,909	483	8,047
External	4,662	2,355	1,030	8,047
Inter-segment	(7)	554	(547)	–
Operating expenses	(2,384)	(2,041)	(288)	(4,713)
Operating profit before impairment losses and taxation	2,271	868	195	3,334
Credit impairment	(1,107)	(450)	(10)	(1,567)
Other impairment	115	(1)	(2)	112
Profit from associates and joint ventures	–	–	76	76
Underlying profit before taxation	1,279	417	259	1,955
Restructuring	(74)	(6)	(10)	(90)
Goodwill impairment	–	–	(258)	(258)
Other items	–	–	20	20
Statutory profit before taxation	1,205	411	11	1,627

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

Profit before taxation (PBT) by region

	1H'21				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	5,463	1,250	993	(88)	7,618
Operating expenses	(3,298)	(815)	(725)	(254)	(5,092)
Operating profit/(loss) before impairment losses and taxation	2,165	435	268	(342)	2,526
Credit impairment	(47)	40	62	(8)	47
Other impairment	(15)	–	7	(17)	(25)
Profit from associates and joint ventures	136	–	–	(2)	134
Underlying profit/(loss) before taxation	2,239	475	337	(369)	2,682
Restructuring	(27)	(3)	(20)	(73)	(123)
Goodwill impairment	–	–	–	–	–
Other items	–	–	–	–	–
Statutory profit/(loss) before taxation	2,212	472	317	(442)	2,559

	1H'20				
	Asia[1] $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	5,520	1,255	1,095	177	8,047
Operating expenses	(3,027)	(793)	(661)	(232)	(4,713)
Operating profit/(loss) before impairment losses and taxation	2,493	462	434	(55)	3,334
Credit impairment	(1,127)	(370)	(80)	10	(1,567)
Other impairment	150	(2)	2	(38)	112
Profit from associates and joint ventures	74	–	–	2	76
Underlying profit/(loss) before taxation	1,590	90	356	(81)	1,955
Restructuring	(50)	(9)	(10)	(21)	(90)
Goodwill impairment	–	–	–	(258)	(258)
Other items	–	–	–	20	20
Statutory profit/(loss) before taxation	1,540	81	346	(340)	1,627

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)

	1H'21			
	Corporate, Commercial & Institutional Banking %	Consumer, Private & Business Banking %	Central & other items %	Total %
Underlying RoTE	11.2	14.5	(3.6)	9.3
Provision for regulatory matters	–	–	–	–
Restructuring				
Of which: Income	0.1	–	(0.1)	0.1
Of which: Expenses	(0.4)	(0.5)	(1.6)	(0.7)
Of which: Credit impairment	–	–	–	–
Of which: Other impairment	–	–	(0.4)	(0.1)
Of which: Profit from associates and joint ventures	–	–	0.2	–
Net gain on businesses disposed/held for sale	–	–	–	–
Goodwill impairment	–	–	–	–
Tax on normalised items	–	0.1	–	0.1
Statutory RoTE	10.9	14.1	(5.5)	8.7

	1H'20			
	Corporate, Commercial & Institutional Banking[1] %	Consumer, Private & Business Banking[1] %	Central & other items %	Total %
Underlying RoTE	7.6	8.2	(2.7)	6.0
Provision for regulatory matters	–	–	0.5	0.1
Restructuring				
Of which: Income	0.4	–	–	0.2
Of which: Expenses	(0.3)	(0.2)	(0.3)	(0.3)
Of which: Credit impairment	(0.1)	–	–	–
Of which: Other impairment	(0.6)	–	–	(0.4)
Of which: Profit from associates and joint ventures	–	–	–	–
Net gain on businesses disposed/held for sale	–	–	0.2	–
Goodwill impairment	–	–	(8.3)	(1.4)
Tax on normalised items	0.1	–	(0.6)	0.1
Statutory RoTE	7.1	8.0	(11.2)	4.3

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

Earnings per ordinary share (EPS)

	1H'21						
	Underlying $ million	Provision for regulatory matters $ million	Restructuring $ million	Net gain on Sale of Businesses $ million	Goodwill impairment $ million	Tax on normalised items $ million	Statutory $ million
Profit for the period attributable to ordinary shareholders	**1,826**	**–**	**(123)**	**–**	**–**	**15**	**1,718**
Basic – Weighted average number of shares (millions)	**3,133**						**3,133**
Basic earnings per ordinary share (cents)	**58.3**						**54.8**

	1H'20						
	Underlying $ million	Provision for regulatory matters $ million	Restructuring $ million	Net gain on Sale of Businesses $ million	Goodwill impairment $ million	Tax on normalised items $ million	Statutory $ million
Profit for the period attributable to ordinary shareholders	1,138	14	(90)	6	(258)	6	816
Basic – Weighted average number of shares (millions)	3,168						3,168
Basic earnings per ordinary share (cents)	35.9						25.8

Alternative performance measures

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

Measure	Definition
Constant currency basis	A performance measure on a constant currency basis is presented such that comparative periods are adjusted for the current year's functional currency rate. The following balances are presented on a constant currency basis when described as such: • Operating income • Operating expenses • Profit before tax • RWAs or Risk-weighted assets
Underlying/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.

Group Chief Risk Officer's review

"Cautiously optimistic while staying watchful"

Emerging stronger from the pandemic is a key focus for the Group. As the risk landscape has continued to evolve, new social and economic challenges have arisen, to add to existing geopolitical tensions. The COVID-19 recovery has continued apace in some markets, with successful vaccine roll outs and easing of restrictions bringing renewed optimism, whereas other locations and sectors have continued to lag and, in some cases, deteriorate. Continuing government support throughout the recovery has increased the risk of inflation, with some markets already seeing upward pressure on prices. In addition, the accumulation of worldwide debt provides further risks to the economic recovery.

The Group has built a strong foundation and we are well positioned to benefit from a recovery driven by key markets in our footprint. While credit risk remains elevated, we have seen improvements in a number of metrics, and credit impairment has significantly reduced year-on-year. Our capital and liquidity positions remain strong, however we remain vigilant in the face of ongoing uncertainty.

Digitalisation and technological development are key items on the Group's agenda. We are fully committed to a robust risk function, embracing innovation while ensuring that we achieve the right risk outcomes when adopting new technologies and digital capabilities. We must ensure that our control frameworks and Risk Appetite evolve accordingly to keep pace with new business developments and asset classes, such as crypto-related activities. We have also planned extensively to ensure smooth adoption of known upcoming changes such as the transition from Interbank Offered Rate (IBOR) to alternative risk-free rates.

Ever more sophisticated threats from fraudsters and cyber criminals require us to continue to enhance our defences, to protect both colleagues and clients. This is critical as we adapt to new ways of working while ensuring we enhance security and our operational resilience. We continue to scan the horizon for emerging risks, and collaborate with internal and external partners to proactively mitigate risks as they are identified.

Sustainability is a core part of our strategy and our vision is to be one of the world's most sustainable and responsible banks. At the start of 2021 we expanded our Reputational Risk Type Framework to integrate Environmental, Social and Governance risk management. We are also continuing to support our clients in their carbon reduction efforts by developing transition frameworks and sustainable financing solutions based on their needs. These are in line with our Position Statements which set out the environmental and social standards we require of our clients. Our vision of being a global leader in sustainable finance brings increased scrutiny, so we will have to ensure our actions align to our vision.

Our key risk priorities

We are committed to being a force for good and, as we emerge from the pandemic, the actions we take will set the foundations for achieving sustainable growth and performance. Below are our key priorities for 2021.

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

We strive to uphold the highest standards of conduct through delivery of the conduct outcomes outlined in the ERMF, acknowledging that while incidents cannot be entirely avoided, the Group has no appetite for wilful or negligent misconduct.

COVID-19 presented a range of new or heightened conduct risks given the move to large-scale working-from-home arrangements as well as the economic impact on clients. We continue to focus on identifying and mitigating conduct risk arising from the pandemic, including increasing awareness of fraud and cyber security risks. More broadly we continue to focus on first line conduct risk ownership, using an enhanced Group Conduct Dashboard to draw insights.

Enhancing Information and Cyber Security (ICS) capabilities: The Group remains focused on pursuing a culture of cyber resilience as we progress with new ways of working, with a focus on maintaining client service and protecting our most critical assets. We have reviewed and enhanced key ICS risk metrics to support strategic oversight and decision-making, while also working to understand and reduce the Group's vulnerability to ICS Risk. In light of the external threat landscape and the continued prevalence of third-party ICS incidents, enhancing our oversight of third-party ICS risk is also a priority. We remain vigilant to evolving cyber threats and are supporting our businesses in their adoption of key controls.

Embedding climate risk management: We are making good progress in developing our climate risk capabilities, including quantifying climate-related physical and transition risks by leveraging external databases, partners and direct interaction with the Group's largest clients. Climate risk-related scenario analysis and stress testing are a top priority for the Group in 2021, with many exercises planned across our footprint markets, including the Bank of England's 2021 Biennial Exploratory Scenario. We will use the insights gained from these exercises to further strengthen our approach to climate risk management and disclosure. Our proactive engagement in response to various regulatory requirements has significantly improved our understanding of industry-wide challenges.

The next phase in the Group's climate risk journey will focus on two themes – working with clients and stakeholders to bridge data and methodology gaps over time, and marrying risk measurement to risk management, where available data and insights are of sufficient quality to inform risk management decisions. We plan to integrate Climate Risk into all relevant mainstream risk management processes by the end of this year.

Managing our environmental, social and governance (ESG) risk: Effective ESG risk management is a key enabler to our commitment of being a leader in sustainable and responsible banking, and at the start of the year we expanded the Reputational Principal Risk Type by adding Sustainability. We have developed an internal Environmental and Social Risk taxonomy that will be piloted to ensure that risk identification, assessment and enhanced due diligence are underpinned by a standard classification system. As ESG risk is a rapidly evolving area, ongoing monitoring of the regulatory landscape ensures that the foundations of ESG risk management are built in line with external ESG and sustainability-related obligations and commitments.

Managing financial crime risks: We strive to remain at the forefront of the fight against financial crime, leading the way by partnering with clients, peers and third parties to de-risk through education. As we continue to detect, and develop controls against new threats emerging as a result of the COVID-19 pandemic, we are also strengthening our control capability across all three lines of defence, ensuring that all of our people are aware of their responsibilities in fighting financial crime. We also continue to share information about threats in order to protect clients and the wider financial system. Our Financial Crime Compliance team has identified and prevented fraud and money laundering using next-generation surveillance and financial crime monitoring infrastructure. 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.

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

Enhancing our Risk and Conduct, Financial Crime and Compliance (CFCC) infrastructure: We continue to focus on simplifying our approach, with increased single points of contact and more effective first-line risk management. Flexible strategic risk report aggregation, centralised data and advanced analytical capabilities enabled an agile response to the challenges of COVID-19. The integration of our risk aggregation platform with front office data provides near real-time bespoke exposure analysis, decisioning and reporting, and our stress testing scenarios have been expanded to include the impact of the pandemic. We have clear priorities to continue to build a more digital and data driven control function with particular focus on scalable self-service solutions and partnerships with our internal innovation centre, SC Ventures. Hubs have continued to be utilised for centralised specialist knowledge and delivery of data visualisation, model development, validation and governance, with automation of supporting processes to reduce operational risks.

Embedding model risk management: We continue to implement an enhanced risk management framework through the Model Risk Management Strategic Enhancement Programme, and regulatory model delivery has been a key focus in the first half of 2021. The Group Model Inventory has been launched under a new platform, and we are continuing to enhance its functionality to achieve a leading inventory management tool. We have also enhanced the governance framework on models that utilise artificial intelligence and machine learning techniques through revision of policy and standards.

Our risk profile and performance

The Group's risk performance in the first six months of the year demonstrates our commitment to strong and sustainable growth, with a number of metrics showing improvements since the end of 2020. Although Credit Risk remains elevated, we have seen reductions in credit impairment and high-risk assets. This reflects our robust risk management approach and handling of risk during the pandemic, and we are well placed to support our clients as the recovery takes hold. We remain alert to the continued impact of COVID-19 and the likelihood of uneven economic recoveries across markets and industries.

While certain locations are seeing easing of restrictions, there have been resurgences of COVID-19 infections observed in some of our key markets. These remain under watch, and we continue to monitor vulnerable sectors such as Aviation, Hospitality, Oil & Gas and Real Estate with detailed portfolio and sector reviews. To support our clients, the Group has continued to enact comprehensive support schemes for retail and corporate customers, including loan and interest repayment holidays, covenant relief, fee waivers or cancellations, loan extensions and new facilities.

The proportion of the Group's loans and advances to customers in stage 1 has increased to 91 per cent (2020: 89 per cent) as we continue to focus on high-quality origination. This is offset by a reduction in stage 2 balances, which now represent 6 per cent of customer loans and advances (2020: 8 per cent). Stage 3 loans to customers marginally decreased to $9.1 billion (2020: $9.2 billion), as loan sales and a few significant repayments in Corporate, Commercial & institutional Banking were offset by a small number of downgrades. Stage 3 remains at 3 per cent of overall loans and advances.

The stage 3 cover ratio decreased to 55 per cent (2020: 58 per cent) as a result of new downgrades with lower levels of provision as they are partially covered by collateral. The cover ratio after collateral also reduced to 75 per cent (2020: 76 per cent) reflecting new inflows to stage 3 that benefit from insurance and guarantees that are not included in tangible collateral.

Credit grade 12 loans have decreased to $1.6 billion (2020: $2.2 billion) due to repayments and two material transfers to stage 3 in the second quarter. Downgrades to credit grade 12 were also significantly lower than the first half of 2020. Early alerts have decreased to $9.0 billion (2020: $10.7 billion), mainly driven by transfers to Group Special Assets Management (GSAM) and regularisations.

There has been a decrease in our Top 20 corporate clients as a percentage of Tier 1 capital to 58 per cent (2020: 60 percent). This is mainly driven by an increase in Tier 1 capital since year end, with overall exposure to our Top 20 corporates remaining largely flat. The Group's portfolios remain predominantly short-tenor and continue to be diversified across industry sectors, products, and geographies.

Our Consumer, Private and Business Banking portfolio remains stable and resilient, with 97 per cent of loans in stage 1, the same proportion as at the end of 2020. The majority of Consumer, Private and Business Banking products continue to be fully secured loans, which remained stable at 86 per cent of the portfolio (2020: 86 per cent). The overall average loan-to-value of the mortgage portfolio remains low at 43 per cent, and the unsecured portfolio continues to make up a small proportion of total Consumer, Private and Business Banking exposure.

Various short-term relief measures have been implemented and we have increased engagement with our customers to find appropriate financing options where available. As of 30 June 2021, less than 1 per cent of total Consumer, Private and Business Banking exposure has relief measures in place, of which 66 per cent is fully secured with an average loan-to-value of less than 40 per cent. The portfolio under moratoria reduced to $0.9 billion compared to $2.4 billion at the end of 2020, with the remaining balance primarily concentrated in Asia.

The macroeconomic environment remains challenging for the majority of the markets in our footprint and we are cognisant of the potential longer-term impact, especially once relief measures are eased. We continue to assess these situations on an ongoing basis, utilising our stress testing framework and portfolio reviews to analyse the potential impact and appropriate risk management actions.

Credit impairment

	6 months ended 30.06.21 $million	6 months ended 30.06.20 $million
Corporate, Commercial & Institutional Banking[1,2]	**(136)**	1,115
Consumer, Private & Business Banking[2]	**93**	449
Central & Others	**(4)**	3
Credit impairment charge/(release)	**(47)**	1,567
Restructuring business portfolio	**(4)**	9
Total credit impairment charge/(release)	**(51)**	1,576

1 P&L for period ended 30.06.20 Credit impairment of $7 million in Central and other items is included in Corporate & Institutional Banking

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 and; 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

The Group's underlying credit impairment was a net release of $47 million in the first half of 2021, a significant improvement compared with the same period in the previous year (H1 2020: $1,567 million charge). This included a $105 million release of stage 1 and 2 impairments, driven by repayments, additional collateral taken on some high-risk accounts, improvements in macroeconomic variables and a reduction in the judgemental overlay. Stage 3 impairment was a charge of $58 million, a reduction of $841 million compared to the first half of 2020. Corporate, Commercial & Institutional Banking saw a release of $59 million of stage 3 impairment from significant repayments for a few key clients, offset by new downgrades. Consumer, Private & Business Banking stage 3 impairment charge was $118 million (H1 2020: $172 million), a reduction compared to the previous year as recoveries (post charge-offs) reverted to normal levels after reducing in 2020 due to COVID-19 related disruptions across our footprint.

Average Group value at risk (VaR) in the first half of 2021 was 41 per cent lower than the previous six months at $79 million (H2 2020: $134 million) and 4 per cent lower than the first half of 2020 (H1 2020: $82 million), as the extreme market volatility following the outbreak of COVID-19 in March 2020 dropped out of the one-year VaR time horizon. Trading activities remain primarily client driven. There were no regulatory VaR backtesting exceptions in the first half of 2021 and none in the rolling 12-month period.

Despite challenges brought by COVID-19, the Group's balance sheet has remained structurally resilient and continues to perform well against liquidity stress tests. The Group's Advances-to-Deposits Ratio increased to 64 per cent (2020: 61 per cent), driven by customer loan growth of 5 per cent, mainly in Asia, which outpaced customer deposit growth. The Liquidity Coverage Ratio improved in the first half of the year to 146 per cent (2020: 143 per cent), driven by a reduction in the liquidity risk profile within the stressed horizon. All metrics remain comfortably within Risk Appetite.

The Group's Common Equity Tier 1 ratio is 14.1 per cent, which is above the top end of our target range of 13 to 14 per cent.

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

Key indicators

	30.06.21	31.12.20
Group total business[1]		
Stage 1 loans ($ billion)	**277.3**	256.4
Stage 2 loans ($ billion)	**17.6**	22.7
Stage 3 loans, credit-impaired ($ billion)	**9.1**	9.2
Stage 3 cover ratio	**55%**	58%
Stage 3 cover ratio (after collateral)	**75%**	76%
Corporate, Commercial & Institutional Banking		
Investment grade corporate net exposures as a percentage of total corporate net exposures	**63%**	62%
Loans and advances maturing in one year or less as a percentage of total loans and advances to customers	**65%**	61%
Early alert portfolio net exposures ($ billion)	**9.0**	10.7
Credit grade 12 loans ($ billion)	**1.6**	2.2
Aggregate top 20 corporate net exposures as a percentage of Tier 1 capital	**58%**	60%
Collateralisation of sub-investment grade net exposures maturing in more than one year	**46%**	46%
Consumer, Private and Business Banking		
Loan-to-value ratio of consumer, private and business banking mortgages	**43%**	45%

1 These numbers represent total loans and advances to customers

Our risk management approach

Our Enterprise Risk Management Framework outlines how we manage risk across the Group, as well as at branch and subsidiary level. It gives us the structure to manage existing risks effectively in line with our Risk Appetite, as well as allowing for holistic risk identification. At the start of the year we introduced a number of enhancements, including the expansion of our Reputational Risk Principal Risk Type (PRT) to include Sustainability Risk, as well as the expansion of the Operational Risk PRT to include Technology Risk. Country Risk and Conduct Risk now form part of the overarching ERMF. These changes were rolled out and further embedded during the first half of the year.

We are further developing and enhancing our risk management approach to crypto-asset activities and associated risks throughout this year, and further details will be provided in the 2021 Annual Report.

Principal and cross-cutting risks

Principal risks are risks inherent in our strategy and business model. These are formally defined in our ERMF which provides a structure for monitoring and controlling these risks through the Board-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 risks and cross-cutting risks and how these are managed. The principal risks have not changed in the first half of the year and further details can be found on pages 254 to 269 of our 2020 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's franchise
Capital and Liquidity Risk	The Group should maintain a strong capital position, including the maintenance of management buffers sufficient to support its strategic aims and hold an adequate buffer of high-quality liquid assets to survive extreme but plausible liquidity stress scenarios for at least 60 days without recourse to extraordinary central bank support
Operational and Technology Risk	The Group aims to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise
Information and Cyber Security Risk	The Group seeks to avoid risk and uncertainty for our critical information assets and systems, and has a low appetite for material incidents affecting these or the wider operations and reputation of the Group
Compliance Risk	The Group has no appetite for breaches in laws and regulations, while recognising that regulatory non-compliance cannot be entirely avoided the Group strives to reduce this to an absolute minimum
Financial Crime Risk	The Group has no appetite for breaches in laws and regulations related to Financial Crime, recognising that while incidents are unwanted, they cannot be entirely avoided
Model Risk	The Group has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models; while accepting model uncertainty
Reputational and Sustainability Risk	The Group aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight
Climate Risk[1]	The Group aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to our own activities and those related to the financing of clients, in alignment with the Paris Agreement

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

Emerging risks

Emerging risks refer to unpredictable and uncontrollable events with the potential to materially impact our business. As part of our continuous risk identification process, we have updated the Group's emerging risks from those disclosed in the 2020 Annual Report.

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 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

'Environmental damage' has been added as an emerging risk to reflect the broader sustainability agenda of the Group and capture environmental concerns beyond climate risk such as biodiversity loss and depletion of natural resources, which are an increasing area of focus for regulators, investors and Non-Governmental Organisations (NGOs).

The table on the next page 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
The nature of the COVID-19 recovery[2]		COVID-19 continues to spread globally due to differences in the pace of vaccine rollouts and the emergence of new variants. Countries with access to vaccines are recovering faster, which may lead to an uneven recovery. Measures such as travel bans and restrictions, curfews, quarantines, and shutdowns have caused severe economic downturns in some countries. The human, economic and social crisis may result in increased political unrest. There is also a risk that other diseases may occur.	• As part of our stress tests, a severe stress in the global economy associated with a sharp slowdown was assessed. • Vulnerable sectors (for example, aviation and hospitality) are regularly reviewed and exposures to these sectors are actively managed. • Exposures that could result in material credit impairment charges and risk-weighted asset inflation under stress tests are regularly reviewed and managed. • We have enacted comprehensive support schemes for retail and corporate customers, including loan and interest repayment holidays, covenant relief, fee waivers or cancellations, loan extensions and new facilities. • The Group's priority remains the health and safety of our clients and employees and continuation of normal operations by leveraging our robust Business Continuity Plans which enable the majority of our colleagues to work remotely where possible.
China-G7 tensions driven by geopolitics and trade imbalance		Relations between China and the West remain fragile. Increasing restrictions have been imposed by the US on Chinese companies, particularly in the technology sector. The adoption of additional protectionist policies could disrupt established supply chains and invoke retaliatory actions.	• Sharp slowdowns in the US, China, and more broadly, world trade and global growth are a feature of Group stress scenarios. These stress tests provide visibility to key vulnerabilities so that management can implement timely interventions. • 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. • Increased scrutiny is applied when onboarding clients in sensitive industries and in ensuring compliance with sanctions requirements.
Environmental damage		Climate change is a factor in biodiversity loss, pollution and depletion of resources. This poses a risk to food and health systems, and the disruption of supply chains. Most governments around the world have integrated targets into their domestic policies for climate risk. However, awareness of other environmental risks remains limited; such as biodiversity loss. 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.	• We remain committed to being a responsible bank, minimising our environmental impact and embedding our values across the markets through our Position Statements for sensitive sectors. • The 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. • Detailed portfolio reviews are conducted on an ongoing basis and action is taken where necessary. • Stress tests are conducted to test the resilience to climate-related risks in line with local regulatory requirements.
Social unrest[3]		While the level of violence in social demonstrations has eased, concerns on human rights in a number of countries have surfaced in 2021. Recurring COVID-19 outbreaks with new variants have disrupted the economic recovery trajectory of many markets, raising concerns about balancing citizens' rights with controlling the spread of the virus.	• The Group is committed to managing human rights impacts through our social safeguards in our Position Statements. • The Human Rights Working Group is developing an approach to monitor, report and escalate human rights issues to our management team for consideration with our Group's strategy. • We continue to support our operations and communities who are greatly impacted by COVID-19 through various aid programmes and financing. • We conduct portfolio reviews at a Group, country, and business level to assess the impact of extreme but plausible geopolitical events.

Emerging Risks	Risk trend since December 2020[1]	Key risk trend drivers	How these are mitigated
Sovereign risk[4]		COVID-19 has impacted market conditions, causing liquidity and potential solvency issues for a number of the world's poorest countries. Government deficits and debt have risen to unprecedented levels across all country income groups. Long-term low or negative interest rates may drive searches for improved yield, which could result in a rapid escalation in asset values not aligned to fundamentals. Accommodative policies may result in inflation risks. In the short term, this is mitigated by weak demand and high unemployment. The current challenge for most authorities is to restore demand.	• Exposures that may result in material credit impairment and increased risk-weighted assets are closely monitored and actively managed. • We conduct stress tests and portfolio reviews at a Group, country, and business level to assess the impact of extreme but plausible events and manage the portfolio accordingly. • We utilise credit risk mitigation techniques, including credit insurance and collateral. • We track the participation of our footprint countries in G20's Common Framework for Debt Treatments and the associated exposure.
Data and digital[5]		Regulatory requirements and client expectations relating to data management, data protection and privacy are increasing, including the ethical use of data and artificial intelligence. Rapid adoption and increased sophistication of new technologies may expose the Group to new technology-related risks, including heightened cyber security risks. Concentration of data in the hands of governments and big private companies is increasing the gap between those that are able to benefit from the digital age. There are also relatively few providers of new technologies such as cloud computing services.	• We actively monitor regulatory developments in relation to data management, data protection and privacy. • We have established a dedicated Data and Privacy Operations team to build data management and privacy expertise across the Group while ensuring compliance with data ownership and consent requirements. • The Group has an integrated strategy to leverage technology to manage cyber risk and to combat cyber-enabled financial crime. • We are engaging alternative cloud vendors to reduce the reliance on a single provider.
New business structures, channels and competition[6]		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. There are also a growing number of use cases for blockchain technologies. In addition, crypto 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 on the banking sector. • We are enhancing capabilities to ensure our systems are resilient, we remain relevant and can capitalise quickly on technology trends. • We have rolled out enhanced digital capabilities in Consumer, Private and Business Banking, particularly around onboarding, sales, and marketing. • We are developing a Crypto Asset Risk Management Approach to manage these risks. • We are setting up strategic partnerships and alliances 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 Group activities.

Emerging Risks	Risk trend since December 2020[1]	Key risk trend drivers	How these are mitigated
Talent pools of the future[7]	↑	COVID-19 accelerated the move towards remote working. However, this also raised concerns around operational, information and cyber security, compliance and conduct risks. There are also risks that issues around wellbeing, performance and misconduct may go unseen. As the demand for new skills and capabilities gains momentum, a shortage of key skills will increase competition for talent. Cross-border mobility restrictions imposed by various countries will also adversely affect the talent pool and intensify the competition. Flexible and agile working models together with upskilling and reskilling of staff will be critical to attract, motivate and retain future 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 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. • In 2020, we began focusing on laying the foundations for upskilling and reskilling our workforce by building a culture of continuous learning and a future-ready workforce enabled by digital skills, organisational adaptability, and leadership at every level.

↑ Risk heightened in 2021 ↓ Risk reduced in 2021 ‹› Risk remained consistent with 2020 levels

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

2 Previously 'The COVID-19 outbreak and the emergence of new diseases'

3 Previously 'Social unrest driven by economic downturns, water crises, medical provision and food security', and 'Rise of populism and nationalism driven by unemployment and a shift in global supply chains'

4 Previously 'Rising sovereign default risk and private sector creditor participation in the Common Framework Agreement', and 'Unintended consequences of accommodative monetary policy and the risk of asset bubbles and inflation'

5 Previously 'Increased data privacy and security risks from strategic and wider use of data'

6 Previously 'Third-party dependency' and 'New technologies and digitisation (including business disruption risk, responsible use of artificial intelligence)'

7 Previously 'Increase in long-term remote working providing new challenges'

Summary

The financial sector remains at the centre of the global economy, and we are committed to upholding the highest standards as the industry evolves. Technology is advancing at a rapid pace, and we need to ensure that we maximise the opportunities that are available, without compromising our core risk principles. The pandemic has increased the potential for global inequality, and as we rebuild we are in a unique position to service markets across the spectrum. We are focused on delivering our goals in a sustainable and responsible manner, remaining cognisant of our commitment to be here for good.

Mark Smith

Mark Smith
Group Chief Risk Officer

3 August 2021

Risk review

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

a) Risk review: Disclosures marked as 'reviewed' from the start of Credit risk section (page 43) to the end of other principal risks in the same section (page 98); and

b) Capital review: Tables marked as 'reviewed' from the start of 'CRD capital base' to the end of 'Movement in total capital', excluding 'Total risk-weighted assets' (pages 100 to 102).

Credit Risk (reviewed)

Basis of preparation

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

Loans and advances to customers and banks held at amortised cost in this Risk profile section include reverse repurchase agreement balances held at amortised cost, per Note 15 Reverse repurchase and repurchase agreements including other similar secured lending and borrowing.

Credit risk overview

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

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 ECL • Performing but has exhibited significant increase in Credit Risk (SICR)	• Credit-impaired • Non-performing

IFRS 9 principles and approaches

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

Title	Description	Supplementary Information	Page
Approach to determining expected credit losses	For material loan portfolios, the Group has adopted a statistical modelling approach for determining expected credit losses that makes extensive use of credit modelling. While these models leveraged existing advanced Internal Ratings Based (IRB) models, for determining regulatory expected losses where these were available, there are significant differences between the two approaches as set out on page 80.	IFRS9 Methodology Post-model adjustments	80 80
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 81 for incorporation of forward-looking information, forecast of key macroeconomic variables underlying the expected credit loss calculation and the impact on non-linearity and sensitivity of expected credit loss calculation to macroeconomic variables.	Incorporation of forward-looking information and impact of non-linearity Forecast of key macroeconomic variables underlying the expected credit loss calculation	81 81
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.	IFRS9 Methodology	80
Assessment of credit-impaired financial assets	Credit-impaired (stage 3) financial assets comprise those assets that have experienced an observed credit event and are in default. Default represents those assets that are at least 90 days past due in respect of principal and interest payments and/or where the assets are otherwise considered unlikely to pay. This definition is consistent with internal credit risk management and the regulatory definition of default. Unlikely to pay factors include objective conditions such as bankruptcy, debt restructuring, fraud or death. It also includes credit-related modifications of contractual cash flows due to significant financial difficulty (forbearance) where the Group has granted concessions that it would not ordinarily consider. When financial assets are transferred from stage 3 to stage 2, any contractual interest earned while the asset was in stage 3 is recognised within the credit impairment line. The gross asset balances for stage 3 financial instruments includes contractual interest due but not paid with a corresponding increase in credit impairment provisions.	Consumer, Private and Business Banking clients Corporate, Commercial & Institutional Banking clients	80 80
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 probability of default (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	55

Title	Description	Supplementary Information	Page
Modified financial assets	Where the contractual terms of a financial instrument have been modified, and this does not result in the instrument being derecognised, a modification gain or loss is recognised in the income statement representing the difference between the original cashflows and the modified cash flows, discounted at the effective interest rate. The modification gain/loss is directly applied to the gross carrying amount of the instrument. If the modification is credit related, such as forbearance, or where the Group has granted concessions that it would not ordinarily consider, then it will be considered credit-impaired. Modifications that are not credit related will be subject to an assessment of whether the asset's credit risk has increased significantly since origination by comparing the remaining lifetime PD based on the modified terms to the remaining lifetime PD based on the original contractual terms.	Forbearance and other modified loans	66
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 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.		

Composition of credit impairment provisions (reviewed)

The table below summarises the key components of the Group's credit impairment provision balances at 30 June 2021 and 31 December 2020.

Modelled ECL provisions, which includes post model adjustments, management overlays and the impact of multiple economic scenarios, were 21 per cent of total credit impairment provisions at 30 June 2021, compared to 24 per cent at 31 December 2020. 22 per cent of the modelled ECL provisions at 30 June 2021 related to management overlays and the impact of multiple economic scenarios compared to 20 per cent at 31 December 2020. PMAs reduced significantly compared to 31 December 2020 as the volatility in macroeconomic forecasts subsided, which removed the need for this type of PMA, which accounted for around half of the PMAs at 31 December 2020.

Overall credit impairment provisions reduced by $0.7 billion compared to 31 December 2020. $0.4 billion of the decrease related to modelled provisions, largely in Corporate, Commercial & Institutional Banking stage 2 due to repayment of exposures, and transfers between stages. The management overlay reduced by $49 million over the period as early alert exposures reduced in Corporate, Commercial & Institutional Banking and risks manifested in Consumer, Private & Business Banking although this was partly offset by new risks identified as moratoria schemes were extended.

Improvements in macroeconomic forecasts reduced ECL by $34 million in the six months to 30 June 2021, primarily in Consumer, Private & Business Banking.

Non-modelled stage 3 provisions reduced by $0.3 billion primarily in Corporate, Commercial & Institutional Banking due to repayments and debt sales during the period.

	30.06.21 $million	31.12.20 $million	Page
ECL provisions (base forecast)	**1,075**	1,380	
Of which: Post model adjustments	**34**	(158)	80
Impact of multiple economic scenarios and management overlays	**305**	351	82
Total modelled ECL provisions	**1,380**	1,731	82
Of which: Stage 1	**562**	664	82
Stage 2	**656**	885	
Stage 3	**162**	182	
Stage 3 non-modelled provisions	**5,083**	5,414	
Total credit impairment provisions	**6,463**	7,145	

Maximum exposure to Credit Risk (reviewed)

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 30 June 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 $10 billion to $770 billion (2020: $760 billion). Cash and balances at central banks increased by $6 billion and loans and advances to customers grew by $16 billion. Of the $16 billion increase, $11 billion was in the Corporate, Commercial & Institutional Banking and Central & other segments primarily in Government, Financing, insurance and non-banking and Energy sectors, with the remainder spread across other sectors. Consumer, Private & Business Banking increased by $5 billion, of which mortgages were $1.9 billion. This was offset by a decrease in derivative exposures of $17 billion.

Off-balance sheet instruments decreased by $2 billion, driven by lower undrawn commitments.

	30.06.21				31.12.20			
		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	72,985			72,985	66,712			66,712
Loans and advances to banks[1,8]	45,188	620		44,568	44,347	1,247		43,100
of which – reverse repurchase agreements and other similar secured lending[7]	620	620		–	1,247	1,247		–
Loans and advances to customers[1]	298,003	134,111		163,892	281,699	130,200		151,499
of which – reverse repurchase agreements and other similar secured lending[7]	4,584	4,584		–	2,919	2,919		–
Investment securities – debt securities and other eligible bills[2]	148,362			148,362	152,861			152,861
Fair value through profit or loss[3,7]	107,577	64,351	–	43,226	102,259	63,405	–	38,854
Loans and advances to banks	4,825			4,825	3,877			3,877
Loans and advances to customers	10,385			10,385	9,377			9,377
Reverse repurchase agreements and other similar lending[7]	64,351	64,351		–	63,405	63,405		–
Investment securities – debt securities and other eligible bills[2]	28,016			28,016	25,600			25,600
Derivative financial instruments[4,7]	52,254	8,306	41,846	2,102	69,467	10,136	47,097	12,234
Accrued income	1,684			1,684	1,775			1,775
Assets held for sale	56			56	83			83
Other assets[5]	43,907			43,907	40,978			40,978
Total balance sheet	770,016	207,388	41,846	520,782	760,181	204,988	47,097	508,096
Off-balance sheet[6]								
Undrawn commitments	150,421			150,421	153,403			153,403
Financial guarantees, trade credits and irrevocable letters of credit	54,676			54,676	53,832			53,832
Total off-balance sheet	205,097	–	–	205,097	207,235	–	–	207,235
Total	975,113	207,388	41,846	725,879	967,416	204,988	47,097	715,331

1 An analysis of credit quality is set out in the credit quality analysis section (page 49). Further details of collateral held by client segment and stage are set out in the collateral analysis section (page 69)

2 Excludes equity and other investments of $667 million (31 December 2020: $454 million). Further details are set out in Note 13 Financial instruments

3 Excludes equity and other investments of $2,592 million (31 December 2020: $4,528 million). Further details are set out in Note 13 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 Hong Kong certificates of indebtedness, cash collateral, and acceptances, in addition to unsettled trades and other financial assets

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

7 Collateral capped at maximum exposure (over-collateralised)

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

Analysis of financial instrument by stage (reviewed)

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 improved by 75 basis points to 94.5 per cent (2020: 93.8 per cent). Total stage 1 balances increased by $24 billion, of which around $21 billion was in loans and advances to customers. Of the $21 billion increase, $13 billion was in Corporate, Commercial & Institutional Banking across Government, Manufacturing and Transport and Telecom sectors, and $5 billion in Consumer, Private & Business Banking. Off-balance sheet exposures decreased by $2 billion, mainly due to decrease of $3 billion in undrawn commitments, partly offset by increase in financial guarantee exposures.

Stage 2 financial instruments reduced by 73 basis points to 4.2 per cent (2020: 5.0 per cent) in part due to transfers to stage 1 in Corporate, Commercial & Institutional Banking. As a result, the proportion of loans and advances to customers classified in stage 2 reduced to 6 per cent (2020: 8 per cent).

Stage 3 financial instruments were stable at 1 per cent of the Group total.

	30.06.21											
	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	72,929	–	72,929	59	(3)	56	–	–	–	72,988	(3)	72,985
Loans and advances to banks (amortised cost)	44,989	(11)	44,978	212	(2)	210	–	–	–	45,201	(13)	45,188
Loans and advances to customers (amortised cost)	277,290	(447)	276,843	17,634	(544)	17,090	9,058	(4,988)	4,070	303,982	(5,979)	298,003
Debt securities and other eligible bills[5]	144,604	(53)		3,724	(32)		112	(62)		148,440	(147)	
Amortised cost	24,300	(14)	24,286	123	(2)	121	112	(62)	50	24,535	(78)	24,457
FVOCI[2]	120,304	(39)		3,601	(30)		–	–		123,905	(69)	–
Accrued income (amortised cost)[4]	1,684	–	1,684	–	–	–	–	–	–	1,684	–	1,684
Assets held for sale[4]	56	–	56	–	–	–	–	–	–	56	–	56
Other assets	43,906	–	43,906	–	–	–	4	(3)	1	43,910	(3)	43,907
Undrawn commitments[3]	139,795	(31)		10,620	(48)		6	(1)		150,421	(80)	
Financial guarantees, trade credits and irrevocable letter of credits[3]	51,171	(20)		2,585	(27)		920	(191)		54,676	(238)	
Total	776,424	(562)		34,834	(656)		10,100	(5,245)		821,358	(6,463)	

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 gross includes $38 million originated credit-impaired debt securities

	31.12.20											
	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	66,649	–	66,649	67	(4)	63	–	–	–	66,716	(4)	66,712
Loans and advances to banks (amortised cost)	44,015	(14)	44,001	349	(3)	346	–	–	–	44,364	(17)	44,347
Loans and advances to customers (amortised cost)	256,437	(534)	255,903	22,661	(738)	21,923	9,214	(5,341)	3,873	288,312	(6,613)	281,699
Debt securities and other eligible bills[5]	149,316	(56)		3,506	(26)		114	(58)		152,936	(140)	
Amortised cost	19,246	(15)	19,231	195	(2)	193	114	(58)	56	19,555	(75)	19,480
FVOCI[2]	130,070	(41)		3,311	(24)		–	–		133,381	(65)	
Accrued income (amortised cost)[4]	1,775	–	1,775	–	–	–	–	–	–	1,775	–	1,775
Assets held for sale[4]	83	–	83	–	–	–	–	–	–	83	–	83
Other assets	40,978	(1)	40,977	–	–	–	4	(3)	1	40,982	(4)	40,978
Undrawn commitments[3]	143,703	(39)		9,698	(78)		2	–		153,403	(117)	
Financial guarantees, trade credits and irrevocable letter of credits[3]	49,489	(20)		3,573	(36)		770	(194)		53,832	(250)	
Total	752,445	(664)		39,854	(885)		10,104	(5,596)		802,403	(7,145)	

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 gross includes $38 million originated credit-impaired debt securities

Credit quality analysis (reviewed)

Credit quality by client segment

For the Corporate & Institutional Banking portfolio, 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	0.426 to 15.75	Class II and Class III	Loans past due till 29 days
Higher risk	Grade 12	CCC/C	15.751 to 99.999	GSAM managed	Past due loans 30 days and over till 90 days

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

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

Stage 1

Stage 1 gross loans and advances to customers increased by $21 billion compared with 31 December 2020 and represent an increase of 2 per cent at 91 per cent of loans and advances to customers (2020: 89 per cent). The stage 1 coverage ratio remained at 0.2 per cent compared with 31 December 2020.

In Corporate, Commercial & Institutional Banking, the proportion of stage 1 loans has increased to 84 per cent (2020: 80 per cent), and the percentage of stage 1 loans rated as strong is higher at 60 per cent (2020: 58 per cent) as the Group continues to focus on the origination of investment grade lending. Stage 1 loans increased by $13 billion, primarily in the Government, Manufacturing and Transport and Telecom sectors.

Consumer, Private & Business Banking stage 1 loans, at 97 per cent of the portfolio, increased by $5 billion primarily driven by new lending in mortgage products. The proportion rated as strong remained stable at 96 per cent.

Stage 2

Stage 2 loans and advances to customers decreased by $5 billion compared with 31 December 2020, and the proportion of stage 2 loans also reduced to 6 per cent from 8 per cent due to transfers to stage 1 in Manufacturing, Commercial real estate and Transport, telecom and utilities sectors.

Consumer, Private & Business Banking stage 2 loans saw a decrease of $0.5 billion in mortgage and CCPL products.

Stage 2 loans to customers classified as 'Higher risk' decreased by $0.6 billion, primarily driven by lower inflows from early alert non-purely precautionary offset by outflows to stage 3.

The overall stage 2 cover ratio reduced by 20 basis points to 3.1 per cent primarily due to additional collateral, decrease in judgemental management overlays and improvement in macroeconomic forecasts during the year, which particularly benefited Consumer, Private & Business Banking.

Stage 3

Gross stage 3 loans decreased by $0.2 billion at $9.1 billion (2020: $9.2 billion) as a result of loan sales and a few repayments in Corporate, Commercial & Institutional Banking, offset by a small number of downgrades, while stage 3 provisions were lower by $0.4 billion at $5.0 billion. Stage 3 cover ratio (excluding collateral) decreased by 3 percentage points to 55 per cent.

In Corporate, Commercial & Institutional Banking, gross stage 3 loans decreased by $0.2 billion due to loan sales and repayments, partially offset by small number of new downgrades in Africa & Middle East and Asia. The cover ratio is at 57 per cent, 3 per cent lower due to new downgrades partially covered by collateral.

Consumer, Private & Business Banking stage 3 loans remain stable at 1 per cent of the portfolio while cover ratio remains stable at 47 per cent.

Loans and advances by client segment (reviewed)

Amortised cost	30.06.21 Banks $million	Customers: Corporate, Commercial & Institutional Banking $million	Customers: Consumer, Private & Business Banking $million	Customers: Central & other items $million	Customers: Customer Total $million	Undrawn commitments $million	Financial Guarantees $million
Stage 1	44,989	124,382	131,690	21,218	277,290	139,795	51,171
– Strong	33,591	74,198	126,179	21,019	221,396	120,626	34,374
– Satisfactory	11,398	50,184	5,511	199	55,894	19,169	16,797
Stage 2	212	15,440	2,194	–	17,634	10,620	2,585
– Strong	120	2,138	1,491	–	3,629	4,181	485
– Satisfactory	62	11,709	323	–	12,032	5,369	1,602
– Higher risk	30	1,593	380	–	1,973	1,070	498
Of which (stage 2):							
– Less than 30 days past due	–	175	319	–	494	–	–
– More than 30 days past due	–	170	384	–	554	–	–
Stage 3, credit-impaired financial assets	–	7,430	1,628	–	9,058	6	920
Gross balance[1]	45,201	147,252	135,512	21,218	303,982	150,421	54,676
Stage 1	(11)	(74)	(371)	(2)	(447)	(31)	(20)
– Strong	(3)	(24)	(310)	(2)	(336)	(18)	(13)
– Satisfactory	(8)	(50)	(61)	–	(111)	(13)	(7)
Stage 2	(2)	(357)	(187)	–	(544)	(48)	(27)
– Strong	–	(44)	(90)	–	(134)	(6)	(1)
– Satisfactory	(2)	(217)	(35)	–	(252)	(31)	(14)
– Higher risk	–	(96)	(62)	–	(158)	(11)	(12)
Of which (stage 2):							
– Less than 30 days past due	–	–	(35)	–	(35)	–	–
– More than 30 days past due	–	(8)	(62)	–	(70)	–	–
Stage 3, credit-impaired financial assets	–	(4,230)	(758)	–	(4,988)	(1)	(191)
Total credit impairment	(13)	(4,661)	(1,316)	(2)	(5,979)	(80)	(238)
Net carrying value	45,188	142,591	134,196	21,216	298,003		
Stage 1	0.0%	0.1%	0.3%	0.0%	0.2%	0.0%	0.0%
– Strong	0.0%	0.0%	0.2%	0.0%	0.2%	0.0%	0.0%
– Satisfactory	0.1%	0.1%	1.1%	0.0%	0.2%	0.1%	0.0%
Stage 2	0.9%	2.3%	8.5%	0.0%	3.1%	0.5%	1.0%
– Strong	0.0%	2.1%	6.0%	0.0%	3.7%	0.1%	0.2%
– Satisfactory	3.2%	1.9%	10.8%	0.0%	2.1%	0.6%	0.9%
– Higher risk	0.0%	6.0%	16.3%	0.0%	8.0%	1.0%	2.4%
Of which (stage 2):							
– Less than 30 days past due	0.0%	0.0%	11.0%	0.0%	7.1%	0.0%	0.0%
– More than 30 days past due	0.0%	4.7%	16.1%	0.0%	12.6%	0.0%	0.0%
Stage 3, credit-impaired financial assets (S3)	0.0%	56.9%	46.6%	0.0%	55.1%	16.7%	20.8%
Cover ratio	0.0%	3.2%	1.0%	0.0%	2.0%	0.1%	0.4%
Fair value through profit or loss							
Performing	22,388	56,448	99	547	57,094	–	–
– Strong	18,919	37,076	98	544	37,718	–	–
– Satisfactory	3,469	19,357	1	3	19,361	–	–
– Higher risk	–	15	–	–	15	–	–
Defaulted (CG13-14)	–	79	–	–	79	–	–
Gross balance (FVTPL)[2]	22,388	56,527	99	547	57,173	–	–
Net carrying value (incl FVTPL)	67,576	199,118	134,295	21,763	355,176	–	–

1 Loans and advances includes reverse repurchase agreements and other similar secured lending of $4,584 million under Customers and of $620 million under Banks, held at amortised cost

2 Loans and advances includes reverse repurchase agreements and other similar secured lending of $46,788 million under Customers and of $17,563 million under Banks, held at fair value through profit or loss

Amortised cost							
	31.12.20						
		Customers					
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
Stage 1	44,015	110,993	126,294	19,150	256,437	143,703	49,489
– Strong[4]	34,961	64,277	120,892	18,889	204,058	122,792	30,879
– Satisfactory[4]	9,054	46,716	5,402	261	52,379	20,911	18,610
Stage 2	349	20,004	2,657	–	22,661	9,698	3,573
– Strong	95	2,756	1,522	–	4,278	3,537	386
– Satisfactory	233	15,105	665	–	15,770	5,522	2,399
– Higher risk	21	2,143	470	–	2,613	639	788
Of which (stage 2):							
– Less than 30 days past due	–	202	663	–	865	–	–
– More than 30 days past due	29	148	480	–	628	–	–
Stage 3, credit-impaired financial assets	–	7,652	1,562	–	9,214	2	770
Gross balance[1]	44,364	138,649	130,513	19,150	288,312	153,403	53,832
Stage 1	(14)	(95)	(438)	(1)	(534)	(39)	(20)
– Strong	(7)	(34)	(328)	–	(362)	(19)	(13)
– Satisfactory	(7)	(61)	(110)	(1)	(172)	(20)	(7)
Stage 2	(3)	(487)	(251)	–	(738)	(78)	(36)
– Strong	–	(42)	(100)	–	(142)	(3)	(3)
– Satisfactory	(3)	(291)	(85)	–	(376)	(44)	(19)
– Higher risk	–	(154)	(66)	–	(220)	(31)	(14)
Of which (stage 2):							
– Less than 30 days past due	–	(6)	(85)	–	(91)	–	–
– More than 30 days past due	–	(6)	(66)	–	(72)	–	–
Stage 3, credit-impaired financial assets	–	(4,610)	(731)	–	(5,341)	–	(194)
Total credit impairment	(17)	(5,192)	(1,420)	(1)	(6,613)	(117)	(250)
Net carrying value	44,347	133,457	129,093	19,149	281,699	–	–
Stage 1	0.0%	0.1%	0.3%	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%	2.0%	0.4%	0.3%	0.1%	0.0%
Stage 2	0.9%	2.4%	9.4%	0.0%	3.3%	0.8%	1.0%
– Strong	0.0%	1.5%	6.6%	0.0%	3.3%	0.1%	0.8%
– Satisfactory	1.3%	1.9%	12.8%	0.0%	2.4%	0.8%	0.8%
– Higher risk	0.0%	7.2%	14.0%	0.0%	8.4%	4.9%	1.8%
Of which (stage 2):							
– Less than 30 days past due	0.0%	3.0%	12.8%	0.0%	10.5%	0.0%	0.0%
– More than 30 days past due	0.0%	4.1%	13.8%	0.0%	11.5%	0.0%	0.0%
Stage 3, credit-impaired financial assets (S3)	0.0%	60.2%	46.8%	0.0%	58.0%	0.0%	25.2%
Cover ratio	0.0%	3.7%	1.1%	0.0%	2.3%	0.1%	0.5%
Fair value through profit or loss							
Performing	22,082	54,384	135	12	54,531	–	–
– Strong	18,100	29,527	133	8	29,668	–	–
– Satisfactory	3,982	24,775	2	4	24,781	–	–
– Higher risk	–	82	–	–	82	–	–
Defaulted (CG13-14)	–	46	–	–	46	–	–
Gross balance (FVTPL)[2]	22,082	54,430	135	12	54,577	–	–
Net carrying value (incl FVTPL)	66,429	187,887	129,228	19,161	336,276	–	–

1 Loans and advances includes reverse repurchase agreements and other similar secured lending of $2,919 million under Customers and of $1,247 million under Banks, held at amortised cost

2 Loans and advances includes reverse repurchase agreements and other similar secured lending of $45,200 million under Customers and of $18,205 million under Banks, held at fair value through profit or 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 $119,766 million to $120,892 million and Satisfactory restated from $6,528 million to $5,402 million. Stage 1 ECL: Strong restated from $307 million to $328 million and Satisfactory restated from $131 million to $110 million

Loans and advances by client segment credit quality analysis

Credit grade	Regulatory 1 year PD range (%)	S&P external ratings equivalent	Corporate, Commercial & Institutional Banking							
			30.06.21							
			Gross				Credit impairment			
			Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Strong			74,198	2,138	–	76,336	(24)	(44)	–	(68)
1A-2B	0 – 0.045	AA– and above	11,632	77	–	11,709	(1)	–	–	(1)
3A-4A	0.046 – 0.110	A+ to A-	19,100	748	–	19,848	(2)	-	–	(2)
4B-5B	0.111 – 0.425	BBB+ to BBB-/BB+	43,466	1,313	–	44,779	(21)	(44)	–	(65)
Satisfactory			50,184	11,709	–	61,893	(50)	(217)	–	(267)
6A-7B	0.426 – 1.350	BB+/BB to BB-	30,979	2,143	–	33,122	(29)	(50)	–	(79)
8A-9B	1.351 – 4.000	BB-/B+ to B+/B	13,889	6,278	–	20,167	(16)	(91)	–	(107)
10A-11C	4.001 – 15.75	B to B-/CCC	5,316	3,288	–	8,604	(5)	(76)	–	(81)
Higher risk			–	1,593	–	1,593	–	(96)	–	(96)
12	15.751 – 99.999	CCC/C	–	1,593	–	1,593	–	(96)	–	(96)
Defaulted			–	–	7,430	7,430	–	–	(4,230)	(4,230)
13-14	100	Defaulted	–	–	7,430	7,430	–	–	(4,230)	(4,230)
Total			124,382	15,440	7,430	147,252	(74)	(357)	(4,230)	(4,661)

Credit grade	Regulatory 1 year PD range (%)	S&P external ratings equivalent	31.12.20 (restated[1])							
			Gross				Credit impairment			
			Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Strong			64,277	2,756	–	67,033	(34)	(42)	–	(76)
1A-2B	0 – 0.045	AA– and above	11,071	295	–	11,366	–	(4)	–	(4)
3A-4A	0.046 – 0.110	A+ to A-	16,753	815	–	17,568	(2)	(11)	–	(13)
4B-5B	0.111 – 0.425	BBB+ to BBB-/BB+	36,453	1,646	–	38,099	(32)	(27)	–	(59)
Satisfactory			46,716	15,105	–	61,821	(61)	(291)	–	(352)
6A-7B	0.426 – 1.350	BB+/BB to BB-	28,917	5,396	–	34,313	(31)	(74)	–	(105)
8A-9B	1.351 – 4.000	BB-/B+ to B+/B	12,276	5,235	–	17,511	(20)	(108)	–	(128)
10A-11C	4.001 – 15.75	B to B-/CCC	5,523	4,474	–	9,997	(10)	(109)	–	(119)
Higher risk			–	2,143	–	2,143	–	(154)	–	(154)
12	15.751 – 99.999	CCC/C	–	2,143	–	2,143	–	(154)	–	(154)
Defaulted			–	–	7,652	7,652	–	–	(4,610)	(4,610)
13-14	100	Defaulted	–	–	7,652	7,652	–	–	(4,610)	(4,610)
Total			110,993	20,004	7,652	138,649	(95)	(487)	(4,610)	(5,192)

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 Prior period has been restated.

	Consumer, Private & Business Banking							
	30.06.21							
	Gross				Credit impairment			
Credit grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Strong	126,179	1,491	–	127,670	(310)	(90)	–	(400)
Secured	109,426	1,144	–	110,570	(51)	(18)	–	(69)
Unsecured	16,753	347	–	17,100	(259)	(72)	–	(331)
Satisfactory	5,511	323	–	5,834	(61)	(35)	–	(96)
Secured	5,225	180	–	5,405	(8)	(2)	–	(10)
Unsecured	286	143	–	429	(53)	(33)	–	(86)
Higher risk	–	380	–	380	–	(62)	–	(62)
Secured	–	258	–	258	–	(6)	–	(6)
Unsecured	–	122	–	122	–	(56)	–	(56)
Defaulted	–	–	1,628	1,628	–	–	(758)	(758)
Secured	–	–	1,178	1,178	–	–	(487)	(487)
Unsecured	–	–	450	450	–	–	(271)	(271)
Total	131,690	2,194	1,628	135,512	(371)	(187)	(758)	(1,316)

	31.12.20 (Restated[1])							
	Gross				Credit impairment			
Credit grade	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Strong	120,892	1,522	–	122,414	(328)	(100)	–	(428)
Secured	104,446	1,345	–	105,791	(59)	(30)	–	(89)
Unsecured[2]	16,446	177	–	16,623	(269)	(70)	–	(339)
Satisfactory	5,402	665	–	6,067	(110)	(85)	–	(195)
Secured	5,023	220	–	5,243	(11)	(3)	–	(14)
Unsecured[2]	379	445	–	824	(99)	(82)	–	(181)
Higher risk	–	470	–	470	–	(66)	–	(66)
Secured	–	316	–	316	–	(12)	–	(12)
Unsecured	–	154	–	154	–	(54)	–	(54)
Defaulted	–	–	1,562	1,562	–	–	(731)	(731)
Secured	–	–	1,061	1,061	–	–	(418)	(418)
Unsecured	–	–	501	501	–	–	(313)	(313)
Total	126,294	2,657	1,562	130,513	(438)	(251)	(731)	(1,420)

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

2 FY 2020 Consumer, Private & Business Banking Stage 1 Gross: Strong Unsecured restated from $15,319 million to $16,446 million and Satisfactory Unsecured restated from $1,505 million to $379 million. Stage 1 ECL: Strong Unsecured restated from $249 million to $269 million and Satisfactory Unsecured restated from $118 million to $99 million

Credit quality by geographic region

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

Loans and advances to customers

	30.06.21			
Amortised cost	**Asia $million**	**Africa & Middle East $million**	**Europe & Americas $million**	**Total $million**
Gross (stage 1)	230,137	20,993	26,160	277,290
Provision (stage 1)	(331)	(98)	(18)	(447)
Gross (stage 2)	9,952	5,389	2,293	17,634
Provision (stage 2)	(319)	(159)	(66)	(544)
Gross (stage 3)[2]	4,908	3,345	805	9,058
Provision (stage 3)	(2,415)	(2,166)	(407)	(4,988)
Net loans[1]	241,932	27,304	28,767	298,003

Amortised cost	31.12.20 Asia[3] $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Gross (stage 1)	211,668	21,144	23,625	256,437
Provision (stage 1)	(423)	(96)	(15)	(534)
Gross (stage 2)	13,771	6,251	2,639	22,661
Provision (stage 2)	(418)	(255)	(65)	(738)
Gross (stage 3)[2]	4,790	3,473	951	9,214
Provision (stage 3)	(2,483)	(2,313)	(545)	(5,341)
Net loans[1]	226,905	28,204	26,590	281,699

1 Includes reverse repurchase agreements and other similar secured lending

2 Amounts do not include those purchased or originated credit-impaired financial assets

3 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.

Loans and advances to banks

Amortised cost	**30.06.21 Asia $million**	**Africa & Middle East $million**	**Europe & Americas $million**	**Total $million**
Gross (stage 1)	**31,535**	**5,404**	**8,050**	**44,989**
Provision (stage 1)	**(6)**	**(3)**	**(2)**	**(11)**
Gross (stage 2)	**52**	**121**	**39**	**212**
Provision (stage 2)	**(1)**	**(1)**	**–**	**(2)**
Gross (stage 3)	**–**	**–**	**–**	**–**
Provision (stage 3)	**–**	**–**	**–**	**–**
Gross loans[1]	**31,580**	**5,521**	**8,087**	**45,188**

Amortised cost	31.12.20 Asia[2] $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Gross (stage 1)	31,448	5,539	7,028	44,015
Provision (stage 1)	(9)	(3)	(2)	(14)
Gross (stage 2)	107	207	35	349
Provision (stage 2)	(1)	(2)	–	(3)
Gross (stage 3)	–	–	–	–
Provision (stage 3)	–	–	–	–
Gross loans[1]	31,545	5,741	7,061	44,347

1 Includes reverse repurchase agreements and other similar secured lending

2 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

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

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, debt securities and other eligible bills.

Methodology

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

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

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

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

Movements during the period

Stage 1 gross exposures increased by $15 billion to $657 billion when compared with 31 December 2020. This was largely due to an increase of $11 billion in Corporate, Commercial & Institutional Banking, across a few sectors from new origination and transfers from Stage 2. The $6.7 billion increase in Consumer, Private & Business Banking was mainly driven by new inflows of mortgage and secured wealth portfolio. The increase was offset by a reduction of $4.7 billion in debt securities, due to maturities of certain sovereign exposures.

Total stage 1 provisions decreased by $101 million, primarily in Consumer, Private & Business Banking unsecured lending, due to improvement in macro-economic forecasts in Singapore and Greater China.

Stage 2 gross exposures decreased by $5 billion, primarily driven by $4.8 billion of net outflows to stage 1 in Corporate, Commercial & Institutional Banking as the risk profile improved, particularly in the Manufacturing, Transport, telecom and utilities and Commercial real estate sectors.

Stage 2 provisions decreased $228 million compared to 31 December 2020, $171 million of which was in Corporate, Commercial & Institutional Banking as a result of net transfers into stage 1, repayment of exposures and increased collateral on a few clients together with a $27 million release in management overlay as some of COVID-19 related uncertainties manifested. Consumer, Private & Business Banking decreased by $70 million, mainly unsecured lending from improvement in macro-economic forecasts, lower delinquencies and lower normal flow.

Across both stage 1 and 2 for all segments, the significant improvement in macroeconomic forecasts across all markets decreased provisions by $34 million during the period.

There was a $4 million release of provisions from model changes in the year to 30 June 2021.

Stage 3 exposures remained largely stable at $10 billion as at 30 June 2021. Stage 3 provisions is lower by $0.4 billion at $5.2 billion as a result of releases and stage 3 loan write-offs arisen in Corporate, Commercial & Institutional Banking.

All segments (reviewed)

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	612,404	(514)	611,890	38,787	(458)	38,329	8,082	(5,255)	2,827	659,273	(6,227)	653,046
Transfers to stage 1	46,437	(712)	45,725	(46,393)	712	(45,681)	(44)	–	(44)	–	–	–
Transfers to stage 2	(91,067)	430	(90,637)	91,176	(431)	90,745	(109)	1	(108)	–	–	–
Transfers to stage 3	(451)	1	(450)	(4,684)	266	(4,418)	5,135	(267)	4,868	–	–	–
Net change in exposures[5]	63,223	(119)	63,104	(39,610)	142	(39,468)	(1,544)	233	(1,311)	22,069	256	22,325
Net remeasurement from stage changes	–	88	88	–	(409)	(409)	–	(789)	(789)	–	(1,110)	(1,110)
Changes in risk parameters	–	17	17	–	(546)	(546)	–	(1,186)	(1,186)	–	(1,715)	(1,715)
Write-offs	–	–	–	–	–	–	(1,913)	1,913	–	(1,913)	1,913	–
Interest due but unpaid	–	–	–	–	–	–	231	(231)	–	231	(231)	–
Discount unwind	–	–	–	–	–	–	–	85	85	–	85	85
Exchange translation differences and other movements[1]	12,414	146	12,560	511	(157)	354	262	(97)	165	13,187	(108)	13,079
As at 31 December 2020[2]	642,960	(663)	642,297	39,787	(881)	38,906	10,100	(5,593)	4,507	692,847	(7,137)	685,710
Income statement ECL (charge)/release[3]		(14)			(813)			(1,742)			(2,569)	
Recoveries of amounts previously written off		–			–			242			242	
Total credit impairment (charge)/release		(14)			(813)			(1,500)			(2,327)	
As at 1 January 2021	**642,960**	**(663)**	**642,297**	**39,787**	**(881)**	**38,906**	**10,100**	**(5,593)**	**4,507**	**692,847**	**(7,137)**	**685,710**
Transfers to stage 1	**16,194**	**(436)**	**15,758**	**(16,163)**	**436**	**(15,727)**	**(31)**	**–**	**(31)**	**–**	**–**	**–**
Transfers to stage 2	**(31,647)**	**124**	**(31,523)**	**31,794**	**(124)**	**31,670**	**(147)**	**–**	**(147)**	**–**	**–**	**–**
Transfers to stage 3	**(232)**	**1**	**(231)**	**(1,612)**	**204**	**(1,408)**	**1,844**	**(205)**	**1,639**	**–**	**–**	**–**
Net change in exposures	**36,567**	**(73)**	**36,494**	**(18,580)**	**107**	**(18,473)**	**(1,285)**	**286**	**(999)**	**16,702**	**320**	**17,022**
Net remeasurement from stage changes	**–**	**25**	**25**	**–**	**(81)**	**(81)**	**–**	**(59)**	**(59)**	**–**	**(115)**	**(115)**
Changes in risk parameters	**1**	**100**	**101**	**–**	**31**	**31**	**–**	**(434)**	**(434)**	**1**	**(303)**	**(302)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(543)**	**543**	**–**	**(543)**	**543**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Discount unwind	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**115**	**115**	**–**	**115**	**115**
Exchange translation differences and other movements[1]	**(5,994)**	**360**	**(5,634)**	**(451)**	**(345)**	**(796)**	**158**	**105**	**263**	**(6,287)**	**120**	**(6,167)**
As at 30 June 2021[2]	**657,849**	**(562)**	**657,287**	**34,775**	**(653)**	**34,122**	**10,096**	**(5,242)**	**4,854**	**702,720**	**(6,457)**	**696,263**
Income statement ECL (charge)/release		**52**			**57**			**(207)**			**(98)**	
Recoveries of amounts previously written off		**–**			**–**			**149**			**149**	
Total credit impairment (charge)/release[4]		**52**			**57**			**(58)**			**51**	

1 Includes fair value adjustments and amortisation on debt securities

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

3 Does not include $2 million release relating to Other assets

4 Statutory basis

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

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

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	138,782	(50)	138,732	4,644	(23)	4,621	75	(45)	30	143,501	(118)	143,383
Transfers to stage 1	1,732	(28)	1,704	(1,732)	28	(1,704)	–	–	–	–	–	–
Transfers to stage 2	(1,151)	18	(1,133)	1,151	(18)	1,133	–	–	–	–	–	–
Transfers to stage 3	–	–	–	–	–	–	–	–	–	–	–	–
Net change in exposures[2]	5,298	(35)	5,263	(470)	11	(459)	39	–	39	4,867	(24)	4,843
Net remeasurement from stage changes	–	16	16	–	(26)	(26)	–	–	–	–	(10)	(10)
Changes in risk parameters	–	15	15	–	(5)	(5)	–	(6)	(6)	–	4	4
Write-offs	–	–	–	–	–	–	–	–	–	–	–	–
Interest due but unpaid	–	–	–	–	–	–	–	–	–	–	–	–
Exchange translation differences and other movements[1]	4,655	8	4,663	(87)	7	(80)	–	(7)	(7)	4,568	8	4,576
As at 31 December 2020	149,316	(56)	149,260	3,506	(26)	3,480	114	(58)	56	152,936	(140)	152,796
Income statement ECL (charge)/release		(4)			(20)			(6)			(30)	
Recoveries of amounts previously written off		–			–			–			–	
Total credit impairment (charge)/release		(4)			(20)			(6)			(30)	
As at 1 January 2021	**149,316**	**(56)**	**149,260**	**3,506**	**(26)**	**3,480**	**114**	**(58)**	**56**	**152,936**	**(140)**	**152,796**
Transfers to stage 1	**362**	**(5)**	**357**	**(362)**	**5**	**(357)**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to stage 2	**(974)**	**10**	**(964)**	**974**	**(10)**	**964**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to stage 3	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net change in exposures	**(2,033)**	**(11)**	**(2,044)**	**(371)**	**(1)**	**(372)**	**–**	**–**	**–**	**(2,404)**	**(12)**	**(2,416)**
Net remeasurement from stage changes	**–**	**5**	**5**	**–**	**(11)**	**(11)**	**–**	**–**	**–**	**–**	**(6)**	**(6)**
Changes in risk parameters	**–**	**4**	**4**	**–**	**12**	**12**	**–**	**(4)**	**(4)**	**–**	**12**	**12**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exchange translation differences and other movements[1]	**(2,067)**	**–**	**(2,067)**	**(23)**	**(1)**	**(24)**	**(2)**	**–**	**(2)**	**(2,092)**	**(1)**	**(2,093)**
As at 30 June 2021	**144,604**	**(53)**	**144,551**	**3,724**	**(32)**	**3,692**	**112**	**(62)**	**50**	**148,440**	**(147)**	**148,293**
Income statement ECL (charge)/release		**(2)**			**–**			**(4)**			**(6)**	
Recoveries of amounts previously written off		**–**			**–**			**–**			**–**	
Total credit impairment (charge)/release		**(2)**			**–**			**(4)**			**(6)**	

1 Includes fair value adjustments and amortisation on debt securities

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

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

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	295,383	(158)	295,225	28,525	(253)	28,272	6,795	(4,688)	2,107	330,703	(5,099)	325,604
Transfers to stage 1	37,180	(310)	36,870	(37,180)	310	(36,870)	–	–	–	–	–	–
Transfers to stage 2	(79,882)	204	(79,678)	79,917	(205)	79,712	(35)	1	(34)	–	–	–
Transfers to stage 3	(337)	–	(337)	(3,665)	82	(3,583)	4,002	(82)	3,920	–	–	–
Net change in exposures	36,605	(51)	36,554	(36,363)	59	(36,304)	(1,201)	231	(970)	(959)	239	(720)
Net remeasurement from stage changes	–	15	15	–	(188)	(188)	–	(700)	(700)	–	(873)	(873)
Changes in risk parameters	–	69	69	–	(297)	(297)	–	(763)	(763)	–	(991)	(991)
Write-offs	–	–	–	–	–	–	(1,216)	1,216	–	(1,216)	1,216	–
Interest due but unpaid	–	–	–	–	–	–	115	(115)	–	115	(115)	–
Discount unwind	–	–	–	–	–	–	–	54	54	–	54	54
Exchange translation differences and other movements	3,504	77	3,581	508	(107)	401	(38)	43	5	3,974	13	3,987
As at 31 December 2020	292,453	(154)	292,299	31,742	(599)	31,143	8,422	(4,803)	3,619	332,617	(5,556)	327,061
Income statement ECL (charge)/release[1]		33			(426)			(1,232)			(1,625)	
Recoveries of amounts previously written off		–			–			22			22	
Total credit impairment (charge)/release		33			(426)			(1,210)			(1,603)	
As at 1 January 2021	**292,453**	**(154)**	**292,299**	**31,742**	**(599)**	**31,143**	**8,422**	**(4,803)**	**3,619**	**332,617**	**(5,556)**	**327,061**
Transfers to stage 1	**13,221**	**(205)**	**13,016**	**(13,221)**	**205**	**(13,016)**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to stage 2	**(26,867)**	**36**	**(26,831)**	**26,932**	**(36)**	**26,896**	**(65)**	**–**	**(65)**	**–**	**–**	**–**
Transfers to stage 3	**(176)**	**–**	**(176)**	**(1,086)**	**98**	**(988)**	**1,262**	**(98)**	**1,164**	**–**	**–**	**–**
Net change in exposures	**27,564**	**(35)**	**27,529**	**(17,125)**	**80**	**(17,045)**	**(983)**	**286**	**(697)**	**9,456**	**331**	**9,787**
Net remeasurement from stage changes	**–**	**1**	**1**	**–**	**(28)**	**(28)**	**–**	**(29)**	**(29)**	**–**	**(56)**	**(56)**
Changes in risk parameters	**1**	**52**	**53**	**–**	**11**	**11**	**–**	**(202)**	**(202)**	**1**	**(139)**	**(138)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(187)**	**187**	**–**	**(187)**	**187**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**(54)**	**54**	**–**	**(54)**	**54**	**–**
Discount unwind	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**97**	**97**	**–**	**97**	**97**
Exchange translation differences and other movements	**(3,129)**	**182**	**(2,947)**	**(444)**	**(159)**	**(603)**	**(39)**	**89**	**50**	**(3,612)**	**112**	**(3,500)**
As at 30 June 2021	**303,067**	**(123)**	**302,944**	**26,798**	**(428)**	**26,370**	**8,356**	**(4,419)**	**3,937**	**338,221**	**(4,970)**	**333,251**
Income statement ECL (charge)/release		**18**			**63**			**55**			**136**	
Recoveries of amounts previously written off		**–**			**–**			**9**			**9**	
Total credit impairment (charge)/release		**18**			**63**			**64**			**145**	

1 Does not include $2 million release relating to Other asset

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

Consumer, Private and Business Banking (restated[1]) (reviewed)

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	168,095	(310)	167,785	5,609	(180)	5,429	1,212	(521)	691	174,916	(1,011)	173,905
Transfers to stage 1	7,519	(373)	7,146	(7,475)	373	(7,102)	(44)	–	(44)	–	–	–
Transfers to stage 2	(10,033)	207	(9,826)	10,107	(207)	9,900	(74)	–	(74)	–	–	–
Transfers to stage 3	(113)	1	(112)	(1,023)	184	(839)	1,136	(185)	951	–	–	–
Net change in exposures	12,701	(34)	12,667	(2,777)	71	(2,706)	(390)	2	(388)	9,534	39	9,573
Net remeasurement from stage changes	–	57	57	–	(194)	(194)	–	(90)	(90)	–	(227)	(227)
Changes in risk parameters	–	(65)	(65)	–	(245)	(245)	–	(416)	(416)	–	(726)	(726)
Write-offs	–	–	–	–	–	–	(698)	698	–	(698)	698	–
Interest due but unpaid	–	–	–	–	–	–	116	(116)	–	116	(116)	–
Discount unwind	–	–	–	–	–	–	–	32	32	–	32	32
Exchange translation differences and other movements	3,875	72	3,947	93	(61)	32	303	(134)	169	4,271	(123)	4,148
As at 31 December 2020	182,044	(445)	181,599	4,534	(259)	4,275	1,561	(730)	831	188,139	(1,434)	186,705
Income statement ECL (charge)/release		(42)			(368)			(504)			(914)	
Recoveries of amounts previously written off		–			–			220			220	
Total credit impairment (charge)/release		(42)			(368)			(284)			(694)	
As at 1 January 2021	**182,044**	**(445)**	**181,599**	**4,534**	**(259)**	**4,275**	**1,561**	**(730)**	**831**	**188,139**	**(1,434)**	**186,705**
Transfers to stage 1	**2,612**	**(225)**	**2,387**	**(2,581)**	**225**	**(2,356)**	**(31)**	**–**	**(31)**	**–**	**–**	**–**
Transfers to stage 2	**(3,805)**	**77**	**(3,728)**	**3,887**	**(77)**	**3,810**	**(82)**	**–**	**(82)**	**–**	**–**	**–**
Transfers to stage 3	**(56)**	**–**	**(56)**	**(526)**	**107**	**(419)**	**582**	**(107)**	**475**	**–**	**–**	**–**
Net change in exposures	**8,407**	**(27)**	**8,380**	**(1,084)**	**28**	**(1,056)**	**(302)**	**1**	**(301)**	**7,021**	**2**	**7,023**
Net remeasurement from stage changes	**–**	**19**	**19**	**–**	**(42)**	**(42)**	**–**	**(30)**	**(30)**	**–**	**(53)**	**(53)**
Changes in risk parameters	**–**	**42**	**42**	**–**	**5**	**5**	**–**	**(229)**	**(229)**	**–**	**(182)**	**(182)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(356)**	**356**	**–**	**(356)**	**356**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**54**	**(54)**	**–**	**54**	**(54)**	**–**
Discount unwind	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**18**	**18**	**–**	**18**	**18**
Exchange translation differences and other movements	**(439)**	**176**	**(263)**	**10**	**(177)**	**(167)**	**201**	**13**	**214**	**(228)**	**12**	**(216)**
As at 30 June 2021	**188,763**	**(383)**	**188,380**	**4,240**	**(190)**	**4,050**	**1,627**	**(762)**	**865**	**194,630**	**(1,335)**	**193,295**
Income statement ECL (charge)/release		**34**			**(9)**			**(258)**			**(233)**	
Recoveries of amounts previously written off		**–**			**–**			**140**			**140**	
Total credit impairment (charge)/release		**34**			**(9)**			**(118)**			**(93)**	

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

Consumer, Private and Business Banking – Secured (restated[1]) (reviewed)

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	118,160	(26)	118,134	4,526	(19)	4,507	779	(290)	489	123,465	(335)	123,130
Transfers to stage 1	5,560	(25)	5,535	(5,527)	25	(5,502)	(33)	–	(33)	–	–	–
Transfers to stage 2	(6,799)	11	(6,788)	6,862	(11)	6,851	(63)	–	(63)	–	–	–
Transfers to stage 3	(55)	–	(55)	(511)	6	(505)	566	(6)	560	–	–	–
Net change in exposures	8,285	(5)	8,280	(2,044)	1	(2,043)	(200)	2	(198)	6,041	(2)	6,039
Net remeasurement from stage changes	–	1	1	–	(7)	(7)	–	(12)	(12)	–	(18)	(18)
Changes in risk parameters	–	1	1	–	(55)	(55)	–	(102)	(102)	–	(156)	(156)
Write-offs	–	–	–	–	–	–	(106)	106	–	(106)	106	–
Interest due but unpaid	–	–	–	–	–	–	100	(100)	–	100	(100)	–
Discount unwind	–	–	–	–	–	–	–	11	11	–	11	11
Exchange translation differences and other movements	2,297	(29)	2,268	57	8	65	15	(27)	(12)	2,369	(48)	2,321
As at 31 December 2020	127,448	(72)	127,376	3,363	(52)	3,311	1,058	(418)	640	131,869	(542)	131,327
Income statement ECL (charge)/release		(3)			(61)			(112)			(176)	
Recoveries of amounts previously written off		–			–			50			50	
Total credit impairment (charge)/release		(3)			(61)			(62)			(126)	
As at 1 January 2021	**127,448**	**(71)**	**127,377**	**3,363**	**(52)**	**3,311**	**1,058**	**(421)**	**637**	**131,869**	**(544)**	**131,325**
Transfers to stage 1	**1,703**	**(26)**	**1,677**	**(1,679)**	**26**	**(1,653)**	**(24)**	**–**	**(24)**	**–**	**–**	**–**
Transfers to stage 2	**(2,316)**	**13**	**(2,303)**	**2,385**	**(13)**	**2,372**	**(69)**	**–**	**(69)**	**–**	**–**	**–**
Transfers to stage 3	**(34)**	**–**	**(34)**	**(303)**	**7**	**(296)**	**337**	**(7)**	**330**	**–**	**–**	**–**
Net change in exposures	**7,681**	**(3)**	**7,678**	**(783)**	**1**	**(782)**	**(217)**	**1**	**(216)**	**6,681**	**(1)**	**6,880**
Net remeasurement from stage changes	**–**	**(1)**	**(1)**	**–**	**(1)**	**(1)**	**–**	**–**	**–**	**–**	**(2)**	**(2)**
Changes in risk parameters	**–**	**1**	**1**	**–**	**8**	**8**	**–**	**(42)**	**(42)**	**–**	**(33)**	**(33)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(54)**	**54**	**–**	**(54)**	**54**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**(13)**	**13**	**–**	**(13)**	**13**	**–**
Discount unwind	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4**	**4**	**–**	**4**	**4**
Exchange translation differences and other movements	**(862)**	**28**	**(834)**	**23**	**(8)**	**15**	**157**	**(90)**	**67**	**(682)**	**(70)**	**(752)**
As at 30 June 2021	**133,620**	**(59)**	**133,561**	**3,006**	**(32)**	**2,974**	**1,175**	**(488)**	**687**	**137,801**	**(579)**	**137,222**
Income statement ECL (charge)/release		**(3)**			**8**			**(41)**			**(36)**	
Recoveries of amounts previously written off		**–**			**–**			**36**			**36**	
Total credit impairment (charge)/release		**(3)**			**8**			**(5)**			**–**	

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

Consumer, Private and Business Banking – Unsecured (restated[1]) (reviewed)

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	49,935	(284)	49,651	1,083	(161)	922	433	(231)	202	51,451	(676)	50,775
Transfers to stage 1	1,959	(348)	1,611	(1,948)	348	(1,600)	(11)	–	(11)	–	–	–
Transfers to stage 2	(3,234)	196	(3,038)	3,245	(196)	3,049	(11)	–	(11)	–	–	–
Transfers to stage 3	(58)	1	(57)	(512)	178	(334)	570	(179)	391	–	–	–
Net change in exposures	4,416	(29)	4,387	(733)	70	(663)	(190)	–	(190)	3,493	41	3,534
Net remeasurement from stage changes	–	56	56	–	(187)	(187)	–	(78)	(78)	–	(209)	(209)
Changes in risk parameters	–	(66)	(66)	–	(190)	(190)	–	(314)	(314)	–	(570)	(570)
Write-offs	–	–	–	–	–	–	(592)	592	–	(592)	592	–
Interest due but unpaid	–	–	–	–	–	–	16	(16)	–	16	(16)	–
Discount unwind	–	–	–	–	–	–	–	21	21	–	21	21
Exchange translation differences and other movements	1,578	101	1,679	36	(69)	(33)	288	(107)	181	1,902	(75)	1,827
As at 31 December 2020	54,596	(373)	54,223	1,171	(207)	964	503	(312)	191	56,270	(892)	55,378
Income statement ECL (charge)/release		(39)			(307)			(392)			(738)	
Recoveries of amounts previously written off		–			–			170			170	
Total credit impairment (charge)/release		(39)			(307)			(222)			(568)	
As at 1 January 2021	**54,596**	**(374)**	**54,222**	**1,171**	**(207)**	**964**	**503**	**(309)**	**194**	**56,270**	**(890)**	**55,380**
Transfers to stage 1	**909**	**(199)**	**710**	**(902)**	**199**	**(703)**	**(7)**	**–**	**(7)**	**–**	**–**	**–**
Transfers to stage 2	**(1,489)**	**64**	**(1,425)**	**1,502**	**(64)**	**1,438**	**(13)**	**–**	**(13)**	**–**	**–**	**–**
Transfers to stage 3	**(22)**	**–**	**(22)**	**(223)**	**100**	**(123)**	**245**	**(100)**	**145**	**–**	**–**	**–**
Net change in exposures	**726**	**(24)**	**702**	**(301)**	**27**	**(274)**	**(85)**	**–**	**(85)**	**340**	**3**	**343**
Net remeasurement from stage changes	**–**	**20**	**20**	**–**	**(41)**	**(41)**	**–**	**(30)**	**(30)**	**–**	**(51)**	**(51)**
Changes in risk parameters	**–**	**41**	**41**	**–**	**(3)**	**(3)**	**–**	**(187)**	**(187)**	**–**	**(149)**	**(149)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(302)**	**302**	**–**	**(302)**	**302**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**67**	**(67)**	**–**	**67**	**(67)**	**–**
Discount unwind	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**14**	**14**	**–**	**14**	**14**
Exchange translation differences and other movements	**423**	**148**	**571**	**(13)**	**(169)**	**(182)**	**44**	**103**	**147**	**454**	**82**	**536**
As at 30 June 2021	**55,143**	**(324)**	**54,819**	**1,234**	**(158)**	**1,076**	**452**	**(274)**	**178**	**56,829**	**(756)**	**56,073**
Income statement ECL (charge)/release		**37**			**(17)**			**(217)**			**(197)**	
Recoveries of amounts previously written off		**–**			**–**			**104**			**104**	
Total credit impairment (charge)/release		**37**			**(17)**			**(113)**			**(93)**	

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

Analysis of stage 2 balances

The table below analyses the proportion of stage 2 gross exposures and associated expected credit provisions by the key significant increase in credit risk (SICR) driver that caused the exposures to be classified as stage 2 as at 30 June 2021 for each segment. This may not be the same driver that caused the initial transfer into stage 2.

Where multiple drivers apply, the exposure is allocated based on the table order. For example, a loan may have breached the PD thresholds and could also be on non-purely precautionary early alert; in this instance, the exposure is reported under 'Increase in PD'.

	30.06.21							
	Corporate, Commercial & Institutional Banking		Consumer, Private & Business Banking		Central & Other		Total	
	Gross %	ECL %	Gross %	ECL %	Gross %	ECL %	Gross %	ECL %
Increase in PD	53%	74%	65%	85%	89%	63%	57%	76%
Non-purely precautionary early alert	28%	10%	–	–	–	–	23%	6%
Higher risk (CG12)	4%	15%	–	–	7%	32%	3%	12%
Sub-investment grade	1%	0%	–	–	–	–	1%	0%
30 days past due	–	–	8%	13%	–	–	1%	4%
Others	14%	1%	27%	2%	4%	5%	15%	2%
Total stage 2	100%	100%	100%	100%	100%	100%	100%	100%

	31.12.20[1]							
	Corporate, Commercial & Institutional Banking		Consumer, Private & Business Banking		Central & Other		Total	
	Gross %	ECL %	Gross %	ECL %	Gross %	ECL %	Gross %	ECL %
Increase in PD	62%	81%	70%	84%	56%	39%	62%	79%
Non-purely precautionary early alert	22%	7%	–	–	–	–	18%	4%
Higher risk (CG12)	2%	9%	–	–	9%	34%	3%	8%
Sub-investment grade	1%	1%	–	–	29%	8%	3%	1%
30 days past due	–	–	6%	15%	–	–	1%	5%
Others	13%	2%	23%	1%	6%	19%	13%	3%
Total stage 2	100%	100%	100%	100%	100%	100%	100%	100%

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 and Private Banking and Retail Banking to Consumer, Private & Business Banking. Prior periods have been restated

The majority of exposures and the associated expected credit loss provisions continue to be in stage 2 due to increases in the probability of default.

Although the amount of exposures in Corporate, Commercial & Institutional Banking placed on non-purely precautionary early alert decreased during the period, the proportion of stage 2 driven by this category increased, reflecting inflows during the six months to 30 June 2021 which have not yet seen a significant deterioration in PD.

A total of 13 per cent of the provisions held against stage 2 Consumer, Private & Business Banking exposures arise from the application of the 30 days past due backstop, although this represents only 8 per cent of exposures. The proportion of PD driven gross inflows into stage 2 has reduced compared to 2020 reflecting the continuing impact of COVID-19 relief measures in a number of markets.

Central and Other segment has seen a significant increase in the 'Increase in PD' category as at 30 June 2021 primarily due to sovereign counterparties in the Africa & Middle East region, which includes those previously included under the 'Sub-investment grade' category in 2020.

'Others' primarily incorporates exposures where origination data is incomplete and the exposures are allocated into stage 2. Significant increase in credit risk for private banking clients included in Consumer, Private & Business Banking is assessed by referencing the nature and level of collateral against which credit is extended.

Credit impairment charge (restated[2]) (reviewed)

The underlying credit impairment charge was a net release of $47 million, down $1.6 billion compared to H1 2020.

Stage 1 and 2 was a net release of $105 million (H1 2020: charge of $668 million) driven by repayments, additional collateral on a few high risk accounts and improvements in macroeconomic variables (MEVs). H1 2021 also included a release of $51 million from management overlay. H1 2020 included a charge on management overlay of $300 million, deteriorating MEVs and second order impact of downgrade to stage 2 from MEV changes.

Stage 3 was a net charge of $58 million (H1 2020: $899 million).

Corporate, Commercial & Institutional Banking stage 3 impairments was a net release of $59 million (H1 2020: charge of $728 million), from significant repayments for a few key clients and offset by new downgrades during the period. Corporate, Commercial & Institutional Banking stage 1 and 2 was a net release of $77 million (H1 2020: charge of $387 million) due to a number of repayments and additional collateral on a few high-risk accounts, and release of $27 million in judgemental overlay from reduction in flow rates into high risk sectors. The same period last year included a charge of $198 million from management overlay, deterioration in MEVs and secondary impact of MEV changes on downgrades into stage 2 of $126 million.

Consumer, Private & Business Banking stage 3 impairment charge was $118 million (H1 2020 : $172 million). It was lower year-on-year as recoveries (post charge-offs) restored to normal levels after being lower in 2020 due to COVID-19 related disruptions across our footprint. Stage 1 and 2 impairment charge was a net release of $25 million (H1 2020: charge of $277 million) due to improvements in MEVs and reduction in management overlay as some of the risk in our markets has manifested. H1 2020 included deterioration in MEVs of $48 million, higher flows into stage 2 and increase of $118 million due to management overlay from the impact of COVID-19 in most of our key markets.

Central and Others segment had a release of $4 million (H1 2020: $3 million charge) primarily due to reduction in maturity for some of sovereign counterparties.

Restructuring (reviewed)

There was a net $4 million impairment release from the Group's discontinued businesses.

	6 months ended 30.06.21			6 months ended 30.06.20		
	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[1,2]	(77)	(59)	(136)	387	728	1,115
Consumer, Private & Business Banking[2]	(25)	118	93	277	172	449
Central & Others	(3)	(1)	(4)	4	(1)	3
Credit impairment charge/(release)	(105)	58	(47)	668	899	1,567
Restructuring business portfolio						
Others	(4)	–	(4)	(1)	10	9
Credit impairment charge/(release)	(4)	–	(4)	(1)	10	9
Total credit impairment charge/(release)	(109)	58	(51)	667	909	1,576

1 P&L for period ended 30.06.20 Credit impairment of $7 million in Central and other items is included in Corporate & Institutional Banking

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. Further, certain clients have been moved between the two new client segments. Prior period has been restated

COVID-19 relief measures

COVID-19 payment-related relief measures are in place across most of our markets, particularly focused on Consumer, Private & Business Banking customers. These schemes are generally initiated by country regulators and governments. 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.

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

Assessment for expected credit losses

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

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

If a customer requires additional support after the expiry of the initial payment relief period, this 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

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 are 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 amount outstanding at 30 June 2021.

Consumer, Private and Business Banking portfolio under moratoria reduced to $0.9 billion compared to $2.4 billion at the end of 2020, with the remaining balance primarily concentrated in Asia. This represents less than 1 per cent of the Group's gross loans and advances to banks and customers. 66 per cent of relief measures are fully secured. 9 per cent of the total amounts approved are to Business Banking customers, concentrated in industries that have been materially disrupted. 75 per cent of the total amounts approved are in stage 1 and 11 per cent in stage 2, the latter mainly in Malaysia where compulsory (regulatory mandated) relief measures are in place. 93 per cent of stage 2 accounts under relief measures are collateralised by immovable property.

In Corporate, Commercial & Institutional Banking, around 60 per cent of the amounts approved are for tenor extensions of 90 days or less. Around 23 per cent of the reliefs granted are to clients in vulnerable sectors.

			Asia		Africa & Middle East		Europe & Americas
Segment / product	**Outstanding $ million**	**% of portfolio[1]**	**Outstanding $ million**	**% of portfolio[1]**	**Outstanding $ million**	**% of portfolio[1]**	**Outstanding $ million**
Credit Card & Personal Loans	223	1%	32	–	191	10%	
Mortgages & Auto	530	1%	514	1%	16	1%	
Business Banking	153	2%	153	2%	–	–	
Total Consumer, Private & Business Banking	**906**	**1%**	**699**	**1%**	**207**	**6%**	
Corporate, Commercial & Institutional Banking	**746**		**539**		**197**		**10**
Total at 30 June 2021	**1,652**	**1%**	**1,238**		**404**		**10**

1 Percentage of portfolio represents the outstanding amount at 30 June 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 30 June 2021

Problem credit management and provisioning (reviewed)

Forborne and other modified loans by client segment

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

Net forborne loans increased by $668 million compared to 2020, primarily in Corporate, Commercial & Institutional Banking within the Asia and Europe & Americas regions. $576 million of the increase relates to non-performing forborne loans and was primarily due to COVID-19 related modifications for a number of clients.

The table below presents loans with forbearance measures by segment.

	30.06.21		
Amortised cost	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Total $million
All loans with forbearance measures	3,542	731	4,273
Credit impairment (stage 1 and 2)	(14)	–	(14)
Credit impairment (stage 3)	(1,409)	(154)	(1,563)
Net carrying value	2,119	577	2,696
Included within the above table			
Gross performing forborne loans	800	353	1,153
Modification of terms and conditions[1]	781	353	1,134
Refinancing[2]	19	–	19
Impairment provisions	(14)	–	(14)
Modification of terms and conditions[1]	(14)	–	(14)
Refinancing[2]	–	–	–
Net performing forborne loans	786	353	1,139
Collateral	318	46	364
Gross non-performing forborne loans	2,742	378	3,120
Modification of terms and conditions[1]	2,586	369	2,955
Refinancing[2]	156	9	165
Impairment provisions	(1,409)	(154)	(1,563)
Modification of terms and conditions[1]	(1,282)	(153)	(1,435)
Refinancing[2]	(127)	(1)	(128)
Net non-performing forborne loans	1,333	224	1,557
Collateral	244	84	328

Amortised cost	31.12.20 (restated[3]) Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Total $million
All loans with forbearance measures	2,890	703	3,593
Credit impairment (stage 1 and 2)	(3)	(1)	(4)
Credit impairment (stage 3)	(1,380)	(181)	(1,561)
Net carrying value	1,507	521	2,028
Included within the above table			
Gross performing forborne loans	698	351	1,049
Modification of terms and conditions[1]	696	351	1,047
Refinancing[2]	2	–	2
Impairment provisions	(3)	(1)	(4)
Modification of terms and conditions[1]	(3)	(1)	(4)
Refinancing[2]	–	–	–
Net performing forborne loans	695	350	1,045
Collateral	329	23	352
Gross non-performing forborne loans	2,192	352	2,544
Modification of terms and conditions[1]	2,022	352	2,374
Refinancing[2]	170	–	170
Impairment provisions	(1,380)	(181)	(1,561)
Modification of terms and conditions[1]	(1,248)	(181)	(1,429)
Refinancing[2]	(132)	–	(132)
Net non-performing forborne loans	812	171	983
Collateral	289	47	336

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

Forborne and other modified loans by region

Amortised cost	30.06.21 Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Performing forborne loans	**359**	**187**	**593**	**1,139**
Stage 3 forborne loans	**946**	**140**	**471**	**1,557**
Net forborne loans	**1,305**	**327**	**1,064**	**2,696**

Amortised cost	31.12.20 Asia[1] $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Performing forborne loans	135	585	325	1,045
Stage 3 forborne loans	639	164	180	983
Net forborne loans	774	749	505	2,028

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

Credit-impaired (stage 3) loans and advances by client segment (reviewed)
Gross stage 3 loans for the Group have reduced by $0.2 billion to $9.1 billion (2020: $9.2 billion), driven by loan sales and a few repayments in Corporate, Commercial & institutional Banking, offset by a small number of downgrades.

Gross stage 3 loans in Consumer, Private & Business Banking increased by $66 million primarily in secured wealth products.

Stage 3 cover ratio (reviewed)
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 decreased by 3 percentage points to 57 per cent as a result of new downgrades partially covered by collateral. The tangible collateral cover ratio is 73 per cent, which is 1 per cent lower as new inflows into stage 3 benefited from insurance and guarantees that are not included in tangible collateral.

The Consumer, Private & Business Banking cover ratio remains stable at 47 per cent.

	30.06.21		
Amortised cost	**Corporate, Commercial & Institutional Banking $million**	**Consumer, Private & Business Banking $million**	**Total $million**
Gross credit-impaired	**7,430**	**1,628**	**9,058**
Credit impairment provisions	**(4,230)**	**(758)**	**(4,988)**
Net credit-impaired	**3,200**	**870**	**4,070**
Cover ratio	**57%**	**47%**	**55%**
Collateral ($ million)	**1,160**	**687**	**1,847**
Cover ratio (after collateral)	**73%**	**89%**	**75%**

	31.12.20 (restated[1])		
Amortised cost	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Total $million
Gross credit-impaired	7,652	1,562	9,214
Credit impairment provisions	(4,610)	(731)	(5,341)
Net credit-impaired	3,042	831	3,873
Cover ratio	60%	47%	58%
Collateral ($ million)	1,063	643	1,706
Cover ratio (after collateral)	74%	88%	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-impaired (stage 3) loans and advances by geographic region

Stage 3 gross loans decreased by $156 million or 2 per cent compared with 31 December 2020. The decrease was primarily driven by workout strategies including loan sales and repayments in the Africa & Middle East and Europe & Americas regions.

	30.06.21			
Amortised cost	**Asia $million**	**Africa & Middle East $million**	**Europe & Americas $million**	**Total $million**
Gross credit-impaired	**4,908**	**3,345**	**805**	**9,058**
Credit impairment provisions	**(2,415)**	**(2,166)**	**(407)**	**(4,988)**
Net credit-impaired	**2,493**	**1,179**	**398**	**4,070**
Cover ratio	**49%**	**65%**	**51%**	**55%**

	31.12.20			
Amortised cost	Asia[1] $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Gross credit-impaired	4,790	3,473	951	9,214
Credit impairment provisions	(2,483)	(2,313)	(545)	(5,341)
Net credit-impaired	2,307	1,160	406	3,873
Cover ratio	52%	67%	57%	58%

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

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 (reviewed)

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

The unadjusted market value of collateral across all asset types, in respect of Corporate, Commercial & Institutional Banking, without adjusting for over-collateralisation, was $343 billion (2020: $313 billion).

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. The value of collateral reflects management's best estimate and is 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 segment, 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. Total collateral for Consumer, Private & Business Banking has increased to $101 billion (2020: $100 billion) due to an increase in Mortgages and Secured wealth products.

Stage 2 collateral drop of $2.6 billion was due to decrease in Corporate, Commercial & Institutional Banking and Consumer, Private & Business Banking loan balances.

Total collateral for Central & other items increased by $1.7 billion compared to 2020 due to an increase in lending under reverse repurchase agreements.

Collateral held on loans and advances

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

	30.06.21								
	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]	**187,779**	**15,293**	**3,200**	**30,394**	**5,111**	**1,160**	**157,385**	**10,182**	**2,040**
Consumer, Private & Business Banking	**134,196**	**2,007**	**870**	**100,606**	**1,335**	**687**	**33,590**	**672**	**183**
Central & other items	**21,216**	**–**	**–**	**3,731**	**–**	**–**	**17,485**	**–**	**–**
Total	**343,191**	**17,300**	**4,070**	**134,731**	**6,446**	**1,847**	**208,460**	**10,854**	**2,223**

	31.12.20								
	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]	177,804	19,863	3,042	29,002	7,373	1,063	148,802	12,490	1,979
Consumer, Private & Business Banking[3]	129,093	2,406	831	100,392	1,677	643	28,701	729	188
Central & other items	19,149	–	–	2,053	–	–	17,096	–	–
Total	326,046	22,269	3,873	131,447	9,050	1,706	194,599	13,219	2,167

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 (reviewed)

Collateral held against Corporate, Commercial & Institutional Banking exposures amounted to $30 billion.

Collateral taken for longer-term and sub-investment grade corporate loans remains high at 46 per cent. Our underwriting standards encourage taking specific charges on assets and we consistently seek high-quality, investment-grade collateral.

79 per cent of tangible collateral (2020: 82 per cent) held comprises physical assets or is property based, with the remainder largely in cash and investment securities. This was a decrease of 3 per cent from 2020 since cash & investment securities increased by $0.8 billion, with the overall tangible collateral being largely flat at $23.5 billion.

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 the probability of default and other credit-related factors. Collateral is also held against off-balance sheet exposures, including undrawn commitments and trade-related instruments.

Corporate, Commercial & Institutional Banking

Amortised cost	30.06.21 $million	31.12.20[2] $million
Maximum exposure	**187,779**	177,804
Property	**11,794**	12,872
Plant, machinery and other stock	**1,466**	1,585
Cash	**3,551**	2,066
Reverse repos	**1,469**	2,172
A– to AA+	**80**	438
BBB– to BBB+	**443**	742
Unrated	**946**	992
Financial guarantees and insurance	**6,860**	5,470
Commodities	**315**	222
Ships and aircraft	**4,939**	4,615
Total value of collateral[1]	**30,394**	29,002
Net exposure	**157,385**	148,802

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.

Collateral – Consumer, Private & Business Banking (reviewed)

In Consumer, Private and Business Banking, 86 per cent of the portfolio is fully secured (2020: 86 per cent).

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

	30.06.21				31.12.20			
Amortised cost	Fully secured $million	Partially secured $million	Unsecured $million	Total $million	Fully secured $million	Partially secured $million	Unsecured $million	Total $million
Maximum exposure	**115,631**	**1,202**	**17,363**	**134,196**	111,112	760	17,221	129,093
Loans to individuals								
Mortgages	**87,501**	**–**	**–**	**87,501**	85,597	–	–	85,597
CCPL	**196**	**–**	**16,681**	**16,877**	171	–	16,921	17,092
Auto	**541**	**–**	**–**	**541**	536	–	–	536
Secured wealth products	**21,655**	**–**	**–**	**21,655**	19,886	–	–	19,886
Other	**5,738**	**1,202**	**682**	**7,622**	4,922	760	300	5,982
Total collateral[1]				**100,606**				100,392
Net exposure[2]				**33,590**				28,701
Percentage of total loans	**86%**	**1%**	**13%**		86%	1%	13%	

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 (reviewed)

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 43 per cent. Hong Kong, which represents 38 per cent of the mortgage portfolio, has an average LTV of 42.8 per cent. All of our other key markets continue to have low portfolio LTVs (Korea, Singapore and Taiwan at 37.0 per cent, 53.4 per cent and 49.6 per cent respectively).

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

	30.06.21			
Amortised cost	**Asia % Gross**	**Africa & Middle East % Gross**	**Europe & Americas % Gross**	**Total % Gross**
Less than 50 per cent	**66.7**	**22.3**	**15.0**	**64.5**
50 per cent to 59 per cent	**12.7**	**14.6**	**28.4**	**13.1**
60 per cent to 69 per cent	**8.7**	**18.3**	**27.8**	**9.4**
70 per cent to 79 per cent	**9.6**	**18.2**	**23.3**	**10.1**
80 per cent to 89 per cent	**2.0**	**11.0**	**4.4**	**2.3**
90 per cent to 99 per cent	**0.4**	**7.2**	**0.5**	**0.4**
100 per cent and greater	**0.1**	**8.4**	**0.6**	**0.3**
Average portfolio loan-to-value	**42.6**	**67.3**	**60.4**	**43.4**
Loans to individuals – mortgages ($million)	**83,516**	**1,767**	**2,218**	**87,501**

	31.12.20			
Amortised cost	Asia[1] % Gross	Africa & Middle East % Gross	Europe & Americas % Gross	Total % Gross
Less than 50 per cent	62.4	22.1	16.4	59.7
50 per cent to 59 per cent	15.0	15.0	28.0	15.4
60 per cent to 69 per cent	10.5	19.6	29.0	11.5
70 per cent to 79 per cent	8.6	20.7	21.7	9.4
80 per cent to 89 per cent	2.6	7.4	3.7	2.7
90 per cent to 99 per cent	0.9	6.0	0.6	1.0
100 per cent and greater	–	9.2	0.6	0.3
Average portfolio loan-to-value	44.1	64.7	60.4	44.7
Loans to individuals – mortgages ($million)	81,570	1,871	2,156	85,597

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 (reviewed)

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 30 June 2021 is $6.8 million (2020: $23.2 million).

	30.06.21 $million	31.12.20 $million
Property, plant and equipment	3.3	18.2
Guarantees	3.4	4.8
Other	0.1	0.2
Total	**6.8**	23.2

Other Credit risk mitigation (reviewed)

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 88).

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 analysis of credit quality by industry, and industry and retail products analysis by region.

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 $16 billion compared to 31 December 2020, of which $11 billion is in Corporate, Commercial & Institutional Banking and the Central and Other segments, and $5 billion in Consumer, Private & Business Banking.

Stage 1 loans increased by $21 billion. Of the $21 billion, $15 billion were corporate loans, mainly due to new lending in Government and primarily stage transfers in the Commercial real estate, Transport, telecom and utilities and Manufacturing sectors. Consumer, Private & Business Banking increase was $5 billion, mainly from the mortgage book and secured wealth products from new originations largely from Asia. Stage 2 loans decreased by $5 billion, largely due to Corporate, Commercial & Institutional Banking, in part due to transfers to stage 1. Stage 3 reduced by $0.2 billion to $9 billion.

Amortised cost	30.06.21 Stage 1 Gross balance $million	Stage 1 Total credit impairment $million	Stage 1 Net carrying amount $million	Stage 2 Gross balance $million	Stage 2 Total credit impairment $million	Stage 2 Net carrying amount $million	Stage 3 Gross balance $million	Stage 3 Total credit impairment $million	Stage 3 Net carrying amount $million	Total Gross balance $million	Total Total credit impairment $million	Total Net carrying amount $million
Industry:												
Energy	11,868	(15)	11,853	1,776	(93)	1,683	1,140	(730)	410	14,784	(838)	13,946
Manufacturing	23,577	(8)	23,569	1,274	(25)	1,249	1,151	(771)	380	26,002	(804)	25,198
Financing, insurance and non-banking	25,022	(10)	25,012	1,146	(21)	1,125	301	(210)	91	26,469	(241)	26,228
Transport, telecom and utilities	13,954	(8)	13,946	3,665	(62)	3,603	1,119	(403)	716	18,738	(473)	18,265
Food and household products	8,514	(4)	8,510	686	(19)	667	502	(326)	176	9,702	(349)	9,353
Commercial real estate	16,995	(17)	16,978	1,720	(20)	1,700	434	(208)	226	19,149	(245)	18,904
Mining and quarrying	5,445	(4)	5,441	732	(26)	706	292	(171)	121	6,469	(201)	6,268
Consumer durables	6,481	(2)	6,479	579	(18)	561	505	(401)	104	7,565	(421)	7,144
Construction	2,556	(4)	2,552	393	(15)	378	1,326	(646)	680	4,275	(665)	3,610
Trading companies & distributors	1,102	(1)	1,101	992	(7)	985	180	(173)	7	2,274	(181)	2,093
Government	25,912	(1)	25,911	885	(2)	883	178	(10)	168	26,975	(13)	26,962
Other	4,174	(2)	4,172	1,592	(49)	1,543	302	(181)	121	6,068	(232)	5,836
Retail Products:												
Mortgage	85,999	(13)	85,986	1,166	(21)	1,145	558	(188)	370	87,723	(222)	87,501
CCPL and other unsecured lending	16,572	(305)	16,267	583	(157)	426	410	(226)	184	17,565	(688)	16,877
Auto	540	(1)	539	2	–	2	1	(1)	–	543	(2)	541
Secured wealth products	21,175	(48)	21,127	263	(7)	256	566	(294)	272	22,004	(349)	21,655
Other	7,404	(4)	7,400	180	(2)	178	93	(49)	44	7,677	(55)	7,622
Total value (customers)[1]	277,290	(447)	276,843	17,634	(544)	17,090	9,058	(4,988)	4,070	303,982	(5,979)	298,003

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $4,584 million

	31.12.20											
	Stage 1			Stage 2			Stage 3			Total		
Amortised cost	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million
Industry:												
Energy	10,047	(25)	10,022	1,889	(87)	1,802	1,036	(777)	259	12,972	(889)	12,083
Manufacturing	20,164	(13)	20,151	2,763	(65)	2,698	1,554	(1,042)	512	24,481	(1,120)	23,361
Financing, insurance and non-banking	23,416	(8)	23,408	834	(7)	827	310	(209)	101	24,560	(224)	24,336
Transport, telecom and utilities	11,771	(12)	11,759	5,071	(124)	4,947	1,041	(473)	568	17,883	(609)	17,274
Food and household products	8,625	(7)	8,618	752	(24)	728	529	(346)	183	9,906	(377)	9,529
Commercial real estate	15,847	(13)	15,834	3,068	(34)	3,034	408	(186)	222	19,323	(233)	19,090
Mining and quarrying	4,723	(6)	4,717	887	(19)	868	286	(182)	104	5,896	(207)	5,689
Consumer durables	4,689	(3)	4,686	967	(36)	931	601	(413)	188	6,257	(452)	5,805
Construction	2,571	(3)	2,568	849	(28)	821	1,067	(527)	540	4,487	(558)	3,929
Trading companies & distributors	877	(1)	876	314	(7)	307	284	(237)	47	1,475	(245)	1,230
Government	23,099	(1)	23,098	1,064	(3)	1,061	220	(11)	209	24,383	(15)	24,368
Other	4,314	(4)	4,310	1,546	(53)	1,493	316	(207)	109	6,176	(264)	5,912
Retail Products:												
Mortgage	83,760	(18)	83,742	1,507	(36)	1,471	593	(209)	384	85,860	(263)	85,597
CCPL and other unsecured lending	16,708	(363)	16,345	785	(205)	580	450	(283)	167	17,943	(851)	17,092
Auto	531	(1)	530	5	–	5	1	–	1	537	(1)	536
Secured wealth products	19,375	(52)	19,323	319	(9)	310	466	(213)	253	20,160	(274)	19,886
Other	5,920	(4)	5,916	41	(1)	40	52	(26)	26	6,013	(31)	5,982
Total value (customers)[1]	256,437	(534)	255,903	22,661	(738)	21,923	9,214	(5,341)	3,873	288,312	(6,613)	281,699

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

Industry and Retail Products analysis of loans and advances by geographic region
This section provides an analysis of the Group's amortised cost loan portfolio, net of provisions, by industry and region.

In the Corporate, Commercial & Institutional Banking segment, our largest industry exposures are to Financing, insurance and non-banking, Government and Manufacturing sectors, with each constituting at least 15 per cent of Corporate, Commercial & Institutional Banking loans and advances to customers.

Government and Financing, insurance and non-banking industry clients are mostly investment-grade institutions, and this lending forms part of the liquidity management of the Group. The manufacturing sector group is spread across a diverse range of industries, including automobiles and components, capital goods, pharmaceuticals, biotech and life sciences, technology hardware and equipment, chemicals, paper products and packaging, with lending spread over 3,600 clients.

Loans and advances to the Energy sector increased to 9 per cent (2020: 8 per cent) of total loans and advances to Corporate, Commercial & Institutional Banking. The Energy sector lending is spread across five sub-sectors and over 210 clients.

The Group provides loans to commercial real estate counterparties of $19 billion, which represents 11 per cent of total customer loans and advances to Corporate, Commercial & Institutional Banking. In total, $8.9 billion of this lending is to counterparties where the source of repayment is substantially derived from rental or sale of real estate and is secured by real estate collateral. The remaining commercial real estate loans comprise working capital loans to real estate corporates, loans with non-property collateral, unsecured loans and loans to real estate entities of diversified conglomerates. The average LTV ratio of the commercial real estate portfolio has remained at 51 per cent during the same period. The proportion of loans with an LTV greater than 80 per cent has decreased to 3 per cent, compared with 4 per cent in 2020.

The Mortgage portfolio continues to be the largest portion of the Retail Products portfolio, at 65 per cent (2020: 66 per cent). CCPL and other unsecured lending marginally decreased to 13 per cent of total Retail Products (2020: 14 per cent).

Amortised cost	30.06.21 Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Industry:				
Energy	6,343	2,902	4,701	13,946
Manufacturing	20,756	1,719	2,723	25,198
Financing, insurance and non-banking	15,504	925	9,799	26,228
Transport, telecom and utilities	10,722	4,834	2,709	18,265
Food and household products	5,612	2,528	1,213	9,353
Commercial real estate	15,783	1,576	1,545	18,904
Mining and quarrying	4,478	847	943	6,268
Consumer durables	6,580	374	190	7,144
Construction	2,262	978	370	3,610
Trading companies and distributors	1,842	179	72	2,093
Government	22,408	4,522	32	26,962
Other	4,035	901	900	5,836
Retail Products:				
Mortgages	83,516	1,767	2,218	87,501
CCPL and other unsecured lending	14,741	2,036	100	16,877
Auto	493	48	–	541
Secured wealth products	19,936	467	1,252	21,655
Other	6,921	701	–	7,622
Net loans and advances to customers	241,932	27,304	28,767	298,003
Net loans and advances to banks	31,580	5,521	8,087	45,188

Amortisecd cost	31.12.20 Asia[1] $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Industry:				
Energy	4,879	2,717	4,487	12,083
Manufacturing	17,899	2,202	3,260	23,361
Financing, insurance and non-banking	15,278	1,018	8,040	24,336
Transport, telecom and utilities	10,377	5,218	1,679	17,274
Food and household products	5,922	2,418	1,189	9,529
Commercial real estate	15,945	1,755	1,390	19,090
Mining and quarrying	4,080	717	892	5,689
Consumer durables	5,249	335	221	5,805
Construction	2,608	940	381	3,929
Trading companies and distributors	908	192	130	1,230
Government	19,416	4,880	72	24,368
Other	3,770	928	1,214	5,912
Retail Products:				
Mortgages	81,570	1,871	2,156	85,597
CCPL and other unsecured lending	14,977	2,019	96	17,092
Auto	481	55	–	536
Secured wealth products	18,120	383	1,383	19,886
Other	5,426	556	–	5,982
Net loans and advances to customers	226,905	28,204	26,590	281,699
Net loans and advances to banks	31,545	5,741	7,061	44,347

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

Vulnerable Sector tables

Vulnerable sectors are those that the Group considers to be most at risk from COVID-19 and lower oil prices, and we continue to monitor exposures to these sectors carefully.

Total net on balance sheet exposure to vulnerable sectors increased by $2.2 billion compared to 31 December 2020 and remained broadly stable at 30 per cent (2020: 31 per cent) of the total net exposure in Corporate, Commercial & Institutional Banking; the increase is primarily from the Commodity and Oil & Gas sectors in stage 1. This is offset by a reduction in off-balance sheet exposures in the Oil & Gas sector of $1.8 billion.

Stage 2 loans to vulnerable sectors decreased by $1.4 billion. This was primarily driven by a decrease in Commercial real estate portfolio due to transfers to stage 1.

Stage 3 loans increased by $0.2 billion compared to 31 December 2020, mainly in the Oil & Gas sector due to new client downgrades from High-Risk accounts.

Maximum exposure

	30.06.21						
Amortised cost	Maximum on-balance sheet exposure (net of credit impairment) $million	Collateral $million	Net on-balance sheet exposure $million	Undrawn commitments (net of credit impairment) $million	Financial guarantees (net of credit impairment) $million	Net off-balance sheet exposure $million	Total on & off-balance sheet net exposure $million
Industry:							
Aviation[1]	4,033	2,068	1,965	1,422	455	1,877	3,842
Commodity traders	9,732	594	9,138	1,800	5,554	7,354	16,492
Metals & mining	4,138	415	3,723	2,774	708	3,482	7,205
Commercial real estate	18,904	7,985	10,919	5,197	298	5,495	16,414
Hotels & tourism	2,585	1,150	1,435	1,262	98	1,360	2,795
Oil & gas	8,590	981	7,609	7,236	4,925	12,161	19,770
Total	47,982	13,193	34,789	19,691	12,038	31,729	66,518
Total Corporate, Commercial & Institutional Banking	142,591	27,730	114,861	86,568	47,471	134,039	248,900
Total Group	343,191	134,731	208,460	150,341	54,438	204,779	413,239

	31.12.20						
Amortised cost	Maximum on-balance sheet exposure (net of credit impairment) $million	Collateral $million	Net on-balance sheet exposure $million	Undrawn commitments (net of credit impairment) $million	Financial guarantees (net of credit impairment) $million	Net off-balance sheet exposure $million	Total on & off-balance sheet net exposure $million
Industry:							
Aviation[1,2]	4,255	2,106	2,149	1,321	531	1,852	4,001
Commodity traders	8,664	318	8,346	2,189	4,459	6,648	14,994
Metals & mining	3,882	513	3,369	2,850	886	3,736	7,105
Commercial real estate	19,090	8,004	11,086	5,283	313	5,596	16,682
Hotels & tourism	2,557	1,110	1,447	1,185	110	1,295	2,742
Oil & gas	7,199	1,032	6,167	8,332	5,587	13,919	20,086
Total	45,647	13,083	32,564	21,160	11,886	33,046	65,610
Total Corporate, Commercial & Institutional Banking	133,457	27,561	105,896	92,001	46,725	138,726	244,622
Total Group	326,046	131,447	194,599	153,286	53,582	206,868	401,467

1 As a result of industry classification changes in 2021, FY 2020 on-balance sheet exposure has been restated by $416 million to make the numbers comparable

2 In addition to the aviation sector loan exposures, the Group owns $3.4 billion (31 December 2020: $3.9 billion) of aircraft under operating leases. Refer to page 152 – Operating lease assets

Loans and advances by stage

Amortised cost	30.06.21 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:												
Aviation	1,992	–	1,992	1,887	(11)	1,876	225	(60)	165	4,104	(71)	4,033
Commodity traders	9,346	(3)	9,343	240	(2)	238	842	(691)	151	10,428	(696)	9,732
Metals & mining	3,337	(3)	3,334	714	(25)	689	210	(95)	115	4,261	(123)	4,138
Commercial real estate	16,995	(17)	16,978	1,720	(20)	1,700	434	(208)	226	19,149	(245)	18,904
Hotels & tourism	1,188	(1)	1,187	1,336	(40)	1,296	136	(34)	102	2,660	(75)	2,585
Oil & gas	6,821	(4)	6,817	1,587	(58)	1,529	469	(225)	244	8,877	(287)	8,590
Total	39,679	(28)	39,651	7,484	(156)	7,328	2,316	(1,313)	1,003	49,479	(1,497)	47,982
Total Corporate, Commercial & Institutional Banking	124,382	(74)	124,308	15,440	(357)	15,083	7,430	(4,230)	3,200	147,252	(4,661)	142,591
Total Group	322,279	(458)	321,821	17,846	(546)	17,300	9,058	(4,988)	4,070	349,183	(5,992)	343,191

Amortised cost	31.12.20 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:												
Aviation[1]	2,193	(1)	2,192	1,909	(26)	1,883	258	(78)	180	4,360	(105)	4,255
Commodity traders	8,067	(3)	8,064	473	(12)	461	799	(660)	139	9,339	(675)	8,664
Metals & mining	3,128	(3)	3,125	677	(18)	659	210	(112)	98	4,015	(133)	3,882
Commercial real estate	15,847	(13)	15,834	3,068	(34)	3,034	408	(186)	222	19,323	(233)	19,090
Hotels & tourism	1,318	(2)	1,316	1,168	(18)	1,150	138	(47)	91	2,624	(67)	2,557
Oil & gas	5,650	(7)	5,643	1,548	(69)	1,479	276	(199)	77	7,474	(275)	7,199
Total	36,203	(29)	36,174	8,843	(177)	8,666	2,089	(1,282)	807	47,135	(1,488)	45,647
Total Corporate, Commercial & Institutional Banking	110,993	(95)	110,898	20,004	(487)	19,517	7,652	(4,610)	3,042	138,649	(5,192)	133,457
Total Group	300,452	(548)	299,904	23,010	(741)	22,269	9,214	(5,341)	3,873	332,676	(6,630)	326,046

1 As a result of industry classification changes in 2021, FY 2020 gross has been restated by $416 million (Stage 1 $120 million and Stage 2 $296 million) to make the numbers comparable

Loans and advances by region (net of credit impairment)

Amortised cost	30.06.21 Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Industry:				
Aviation	1,498	1,272	1,263	4,033
Commodity Traders	5,196	775	3,761	9,732
Metals & Mining	2,879	803	456	4,138
Commercial Real Estate	15,783	1,576	1,545	18,904
Hotel & Tourism	1,727	548	310	2,585
Oil & Gas	4,566	2,185	1,839	8,590
Total	31,649	7,159	9,174	47,982

	31.12.20 Asia[2] $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Industry:				
Aviation[1]	1,795	1,492	968	4,255
Commodity Traders	4,617	780	3,267	8,664
Metals & Mining	2,825	597	460	3,882
Commercial Real Estate	15,945	1,755	1,390	19,090
Hotel & Tourism	1,692	512	353	2,557
Oil & Gas	3,334	2,036	1,829	7,199
Total	30,208	7,172	8,267	45,647

1 As a result of industry classification changes in 2021, FY 2020 has been restated by $416 million (Europe & Americas) to make the numbers comparable

2 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

Credit quality – loans and advances

Amortised Cost Credit Grade	30.06.21 Aviation Gross $million	Commodity Traders Gross $million	Metals & Mining Gross $million	Commercial Real Estate Gross $million	Hotel & Tourism Gross $million	Oil & Gas Gross $million	Total Gross $million
Strong	1,051	5,644	1,572	7,793	691	5,091	21,842
Satisfactory	2,665	3,937	2,262	10,814	1,634	3,143	24,455
Higher risk	163	5	217	108	199	174	866
Defaulted	225	842	210	434	136	469	2,316
Total Gross Balance	4,104	10,428	4,261	19,149	2,660	8,877	49,479
Strong	–	(1)	(1)	–	–	(4)	(6)
Satisfactory	(11)	(3)	(24)	(37)	(29)	(41)	(145)
Higher risk	–	(1)	(3)	–	(12)	(17)	(33)
Defaulted	(60)	(691)	(95)	(208)	(34)	(225)	(1,313)
Total Credit Impairment	(71)	(696)	(123)	(245)	(75)	(287)	(1,497)
Strong	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%	0.0%
Satisfactory	0.4%	0.1%	1.1%	0.3%	1.8%	1.3%	0.6%
Higher risk	0.0%	20.0%	1.4%	0.0%	6.0%	9.8%	3.9%
Defaulted	26.7%	82.1%	45.2%	47.9%	25.0%	48.0%	56.7%
Cover Ratio	1.7%	6.7%	2.9%	1.3%	2.8%	3.2%	3.0%

Credit Grade	31.12.20 Aviation[1] Gross $million	Commodity Traders Gross $million	Metals & Mining Gross $million	Commercial Real Estate Gross $million	Hotel & Tourism Gross $million	Oil & Gas Gross $million	Total Gross $million
Strong	1,406	4,968	1,055	7,795	696	3,177	19,097
Satisfactory	2,540	3,554	2,423	11,110	1,672	3,745	25,044
Higher risk	156	18	327	10	118	276	905
Defaulted	258	799	210	408	138	276	2,089
Total Gross Balance	4,360	9,339	4,015	19,323	2,624	7,474	47,135
Strong	(7)	(1)	(1)	(9)	–	(6)	(24)
Satisfactory	(7)	(12)	(16)	(37)	(19)	(53)	(144)
Higher risk	(13)	(2)	(4)	(1)	(1)	(17)	(38)
Defaulted	(78)	(660)	(112)	(186)	(47)	(199)	(1,282)
Total Credit Impairment	(105)	(675)	(133)	(233)	(67)	(275)	(1,488)
Strong	0.5%	0.0%	0.1%	0.1%	0.0%	0.2%	0.1%
Satisfactory	0.3%	0.3%	0.7%	0.3%	1.1%	1.4%	0.6%
Higher risk	8.3%	11.1%	1.2%	10.0%	0.8%	6.2%	4.2%
Defaulted	30.2%	82.6%	53.3%	45.6%	34.1%	72.1%	61.4%
Cover Ratio	2.4%	7.2%	3.3%	1.2%	2.6%	3.7%	3.2%

1 As a result of industry classification changes in 2021, FY 2020 gross has been restated by $416 million (Satisfactory) to make the numbers comparable

IFRS 9 methodology (reviewed)

Refer to page 224 in the 2020 Annual Report for the 'Approach for determining expected credit losses', 'Application of lifetime' and pages 230-232 for 'Significant increase in credit risk (SICR)', 'Assessment of credit-impaired financial assets' and 'Governance and application of expert credit judgement in respect of expected credit losses'. There have been no changes to the Group's approach in determining SICR compared to 31 December 2020.

Post model adjustments

Where a model's performance breaches the monitoring thresholds or validation standards, an assessment is completed to determine whether an ECL post model adjustment (PMA) is required to correct for the identified model issue. PMAs will be removed when the models are updated to correct for the identified model issue or the estimates return to being within the monitoring thresholds.

The unprecedented volatility in the quarterly macroeconomic forecasts that was seen over 2020 meant that a number of the Group's IFRS 9 ECL models were operating outside the boundaries to which they were calibrated. Over the COVID-19 period we have commonly seen GDP decreases over a single quarter of around 10 to 20 per cent while a country is in lockdown, followed by a recovery of 10 to 20 per cent the following quarter when the lock down is assumed to end. As the quarterly macroeconomic forecasts and associated model estimates have become less volatile in 2021, PMAs relating to volatility have not been required.

As at 30 June 2021, PMAs have been applied for 15 models out of the total of 175 models. In aggregate, the PMAs increase the Group's impairment provisions by $34 million (2 per cent of modelled provisions) compared with a $158 million decrease at 31 December 2020, and primarily relate to unsecured Consumer Lending models where the PMAs range between a $45 million increase to a $20 million decrease in ECL. Corporate, Commercial & Institutional Banking PMAs reduced significantly compared to 31 December 2020 as new models were implemented during the period. As set out on page 83, a separate management overlay that covers risk not captured by the models has been applied after taking into account these PMAs.

	30.06.21 $million	31.12.20 $million
Volatility-related PMAs		
Corporate, Commercial & Institutional Banking	–	17
Consumer, Private & Business Banking	–	(12)
Central & other items	–	(66)
	–	(61)
Model performance PMAs		
Corporate, Commercial & Institutional Banking	(1)	(73)
Consumer, Private & Business Banking	35	(24)
	34	(97)
Total PMAs	34	(158)

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 review projections for some core country variables against consensus when forming their view of the outlook. For the period beyond five years, management utilises the in-house research view and third-party model outputs, which allow for a reversion to long-term growth rates or norms. All projections are updated on a quarterly basis.

Forecast of key macroeconomic variables underlying the expected credit loss calculation and the impact on non-linearity
In the base forecast – management's view of the most likely outcome – the expectation is for the world economy to grow by close to 6 per cent in 2021 as economies reopen and vaccination roll outs gain momentum. This is well above the average of 3.7 per cent for the 10 years between 2010 to 2019. However, this follows a contraction of more than 3 per cent in 2020, the worst performance since the Great Depression of 1929–31.

However, prospects remain uneven. Eighteen months on from the first COVID-19 cases, some parts of the world are emerging from the pandemic, while others remain in the midst of a crisis. Global case numbers so far this year are higher than for all of 2020, and many countries in Sub-Saharan Africa, Asia, Latin America and the Middle East are experiencing renewed surges, with vaccination rates still low. By contrast, in most major developed economies, advanced vaccination programmes are containing the pandemic and allowing restrictions to be eased.

There are two key downside risks to the outlook: (1) a more extensive resurgence of pandemic cases resulting from new variants, which could force the extension or re-imposition of restrictions; and (2) a more sustained surge in inflation that damages consumer confidence and forces a swifter tightening of monetary policy. The ECL sensitivity analysis in this report explores the impact of both of these risks.

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.

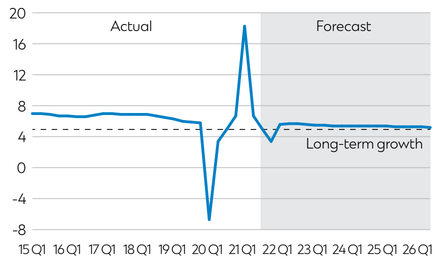
The table on page 82 provides a summary of the Group's Base Forecast for key footprint markets, alongside the corresponding range seen across the multiple scenarios. The peak/trough amounts in the table show the highest and lowest points within the Base Forecast, and the GDP graphs illustrate the shape of the Base Forecast in relation to prior periods' actuals and the long-term growth rates.

Global GDP and trade volumes are recovering faster now than after the global financial crisis. On the back of successful pandemic containment, China's GDP growth has returned to around the average pace seen before the pandemic. Trade-driven economies in Asia are also bouncing back. Hong Kong received a strong lift from the export sector in Q1 2021 with the recovery broadening since then. Singapore also benefitted from the pickup in external demand and has been supported by targeted fiscal stimulus and accommodative monetary policy. Improving global growth prospects should also keep investment strong in Korea. However, activity elsewhere in Asia has turned lower again with a resurgence of COVID-19 cases. Economic activity in India, for example, is likely to remain cautious until vaccination coverage improves.

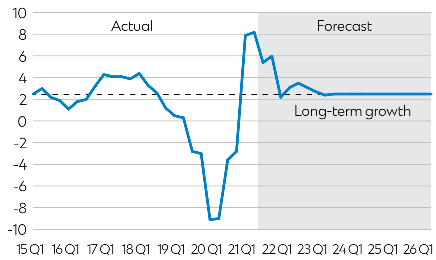
Among the developed economies that were hardest hit by the pandemic, the US is expected to grow by more than 6 per cent supported by substantial fiscal support and the reopening of the economy on positive vaccination progress. The euro area is expected to grow by around 4 per cent given good vaccination progress. Over half of the population in the region have received at least one dose (overtaking the US).

Concerns about the impact of coronavirus variants and uncertainty over the ability of OPEC+ to react to changing conditions will maintain pressure on oil prices. The price of Brent Crude oil is expected to average $58.5 in 2022 compared to $63.9 in 2021.

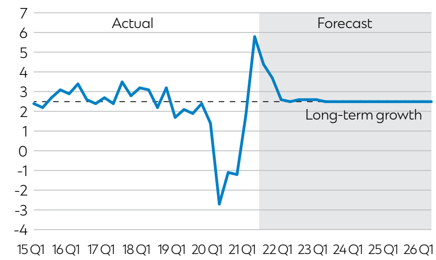
China GDP YoY%



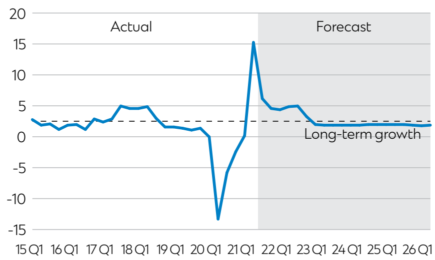
Hong Kong GDP YoY%



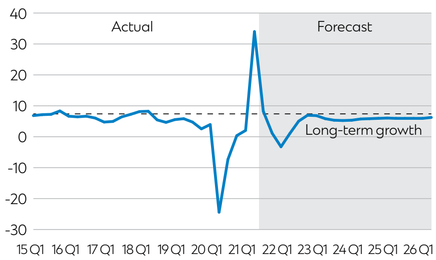
Korea GDP YoY%



Singapore GDP YoY%



India GDP YoY%



Long-term growth = forward-looking future GDP growth potential

	China			Hong Kong			Korea			Singapore			India[1]		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
GDP growth (YoY%)	8.0	5.6	5.5	6.9	3.0	2.5	3.9	2.6	2.5	6.3	4.4	1.9	8.5	5.0	5.5
Unemployment (%)	3.8	3.4	3.4	6.3	5.0	3.9	4.1	3.8	3.5	3.8	3.3	3.1	N/A	N/A	N/A
3-month interest rates (%)	2.4	2.5	2.6	0.3	0.5	0.9	0.7	0.9	1.2	0.4	0.5	0.8	3.9	4.5	5.1
House prices (YoY%)	4.2	4.7	5.2	2.2	3.0	4.7	9.1	2.4	2.8	5.6	3.2	3.3	5.3	6.8	7.2

1 India GDP follows the Fiscal Year beginning in Q2. All other variables are on a calendar year basis

30.06.21

	China				Hong Kong				Korea				Singapore				India			
	5-year average base forecast	Base forecast peak/trough	Low[2]	High[3]	5-year average base forecast	Base forecast peak/trough	Low[2]	High[3]	5-year average base forecast	Base forecast peak/trough	Low[2]	High[3]	5-year average base forecast	Base forecast peak/trough	Low[2]	High[3]	5-year average base forecast	Base forecast peak/trough	Low[2]	High[3]
GDP growth (YoY%)	5.3	5.7/3.4	2.1	9.0	2.9	6.0/2.2	(1.8)	7.8	2.7	4.4/2.5	(1.3)	7.9	2.8	6.2/1.8	(6.5)	10.5	5.1	8.3/(3.2)	(4.6)	11.2
Unemployment (%)	3.4	3.4/3.4	3.3	3.5	4.2	6.0/3.6	2.6	6.9	3.5	4.1/3.1	2.6	4.8	3.2	3.7/3.0	2.0	4.9	N/A[1]	N/A	N/A	N/A
3-month interest rates (%)	2.7	3.1/2.5	1.3	5.0	1.0	2.0/0.4	(0.5)	4.1	1.3	2.1/0.7	(0.1)	3.3	0.9	1.8/0.5	0.0	3.0	5.3	6.3/3.8	2.7	8.3
House prices (YoY%)	5.0	5.2/4.1	(0.7)	12.0	3.5	4.9/2.2	(12.6)	25.2	3.2	9.0/1.8	(1.2)	10.0	3.8	6.4/3.0	(5.8)	15.8	7.0	7.2/5.5	(2.8)	21.6

31.12.20

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

	30.06.21[4]				31.12.20			
	5 yr average base forecast	Base forecast peak/ trough	Low[2]	High[3]	5 yr average base forecast	Base forecast peak/ trough	Low[2]	High[3]
Crude price Brent, $ pb	58.7	67.0/55.0	21.7	122.2	53.8	60.9/39.0	22.0	115.5

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 Q3 2021 to Q2 2026. The forward-looking simulation starts from Q3 2021

The final probability-weighted ECL reported by the Group is a simple average of the ECL for each of the 50 scenarios. The impact of these scenarios and the management overlay (together referred to as non-linearity) on stage 1, stage 2 and stage 3 modelled ECL is set out in the table below.

	Base forecast $million	Multiple economic scenarios $million	Management overlay $million	Total $million	Base vs Total Difference %
Total expected credit loss at 30 June 2021[1]	**1,075**	**(5)**	**310**	**1,380**	**28**
Total expected credit loss at 31 December 2020[1]	1,380	(8)	359	1,731	25

1 Total modelled ECL comprises stage 1 and stage 2 balances of $1,218 million (31 December 2020: $1,549 million) and $162 million (31 December 2020: $182 million) of modelled ECL on stage 3 loans

The average expected credit loss under multiple scenarios (which incorporates the management overlay below) is 28 per cent higher than the expected credit loss calculated using only the most likely scenario (the Base forecast). Portfolios that are more sensitive to non-linearity include those with greater leverage and/or a longer tenor, such as Project and Shipping Finance and credit card portfolios. Other portfolios display minimal non-linearity owing to limited responsiveness to macroeconomic impacts for structural reasons such as significant collateralisation as with the residential mortgage portfolios.

Management overlay – COVID-19

As at 30 June 2021, the Group held a $310 million management overlay relating to uncertainties as a result of the COVID-19 pandemic, $170 million of which relates to Corporate, Commercial & Institutional Banking and $140 million to Consumer, Private & Business Banking. $301 million of the overlay is held in stage 1 and 2, and $9 million in stage 3. The overlay has been determined after taking account of the PMAs reported on page 80 and is reassessed quarterly. It is reviewed and approved by the IFRS9 Impairment Committee.

Corporate, Commercial & Institutional Banking

Although the amount of loans placed on non-purely precautionary early alert has decreased compared to 31 December 2020, balances remain significantly 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 as at 30 June 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. The basis of determining the overlay remained unchanged during 2020 and 2021. The overlay increased to $227 million as at 30 September 2020 and has steadily reduced to $170 million as at 30 June 2021 as the level of non-purely precautionary early alerts reduced and as at 30 June 2021, the assumed level of further deterioration has been reduced in line with our experience over the last 15 months.

Consumer, Private & Business Banking

Payment moratoria remains the primary consideration in the judgemental overlay for Consumer, Private & Business Banking as the extent to which customers in stage 1 may have experienced a significant increase in credit risk may be masked by the moratoria where in place. The overlay also takes into account the potential impact of COVID-19 resurgence in some markets, employee banking relationships in vulnerable sectors such as Aviation, and the potential impact on mortgages in Africa & Middle East which generally have high LTVs. $73 million of the overlay is held in stage 1, $58 million in stage 2 and $9 million in stage 3. The basis of determining the overlay remained unchanged in 2020 and 2021. The overlay increased to $166 million as at 30 September 2020 compared to $118 million as at 30 June 2020, and reduced to $162 million as at 31 December 2020 and to $140 million as at 30 June 2021, as general moratoria schemes ended in a number of markets and the increased delinquency flows were captured by the ECL models.

Stage 3

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

Sensitivity of expected credit loss calculation to macroeconomic variables

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

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

The Group faces downside risks in the operating environment related to the uncertainties surrounding the 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 slow vaccine roll out, social distancing measures are relaxed at a more gradual pace as the roll out of mass vaccination programmes progresses slowly or take up is poor. In the second scenario, financial markets and the real economy are roiled by a marked deterioration in the inflation outlook.

	Baseline		Slow vaccine roll out		Return of inflation	
	Five-year average	**Peak/Trough**	Five-year average	Peak/Trough	Five-year average	Peak/Trough
China GDP (YoY%)	**5.3**	**5.7/3.4**	5.0	5.5/2.2	4.6	5.3/2.7
China unemployment (%)	**3.4**	**3.4/3.4**	3.6	3.8/3.4	4.0	4.2/3.7
China property prices (YoY%)	**5.0**	**5.2/4.1**	4.2	5.2/1.1	4.6	5.2/3.6
Hong Kong GDP (YoY%)	**2.9**	**6.0/2.2**	2.5	5.1/0.3	2.6	5.4/1.4
Hong Kong unemployment (%)	**4.2**	**6.0/3.6**	4.8	6.1/3.9	4.5	6.1/3.9
Hong Kong property prices (YoY%)	**3.5**	**4.9/2.2**	1.5	3.5/(0.8)	0.7	2.3/–1.5
US GDP (YoY%)	**2.5**	**6.7/1.8**	2.2	5.7/1.1	2.0	6.4/0.1
Singapore GDP (YoY%)	**2.8**	**6.2/1.8**	2.3	4.7/1.8	2.3	5.9/0.9
India GDP (YoY%)	**5.1**	**8.3/(3.2)**	3.9	6.3/(7.1)	4.4	7.8/(4.5)
Crude Oil (Brent, $ pb)	**58.7**	**67.0/55.0**	55.4	66.9/50.6	64.2	71.5/60.6

	Base (Real GDP, YoY%)			Slow Vaccine Roll Out (Real GDP, YoY%)		Difference from base	
	2020[1]	2021[1]	2022[1]	2021[1]	2022[1]	2021[1]	2022[1]
China	8.9	4.9	5.6	3.6	5.1	(1.3)	(0.4)
Hong Kong	2.3	4.1	2.9	2.7	2.1	(1.4)	(0.9)
US	1.8	5.2	2.0	3.6	1.8	(1.5)	(0.2)
Singapore	1.4	5.0	3.0	2.8	2.7	(2.2)	(0.3)
India	5.6	1.7	6.2	(2.0)	3.9	(3.7)	(2.3)

	Base (Real GDP, YoY%)			Return of Inflation (Real GDP, YoY%)		Difference from base	
	2020[1]	2021[1]	2022[1]	2021[1]	2022[1]	2021[1]	2022[1]
China	8.9	4.9	5.6	4.1	4.2	(0.8)	(1.4)
Hong Kong	2.3	4.1	2.9	3.5	2.4	(0.7)	(0.6)
US	1.8	5.2	2.0	4.1	0.5	(1.1)	(1.6)
Singapore	1.4	5.0	3.0	3.9	1.7	(1.1)	(1.3)
India	5.6	1.7	6.2	0.5	4.9	(1.2)	(1.3)

1 Each year is from Q3 to Q2. So 2020 is from Q3 2020 to Q2 2021 because projections start from Q3 2020

The total reported stage 1 and 2 ECL provisions (including both on- and off-balance sheet instruments) would be approximately $152 million higher under the Slow Vaccine Roll out scenario and $158 million higher under the Return of Inflation 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 4.6 per cent to 5.1 per cent under the Slow Vaccine Roll out scenario. This includes the impact of exposures transferring to stage 2 from stage 1 but does not consider an increase in stage 3 defaults. There was no material change in modelled stage 3 provisions as these primarily relate to unsecured Retail Banking exposures for which the LGD is not sensitive to changes in the macroeconomic forecasts. Under both scenarios there is only a modest ECL increase for the Consumer, Private & Business Banking portfolios with most of the increases coming from the big unsecured retail portfolios (Hong Kong and Malaysia credit cards). For Corporate, Commercial & Institutional Banking portfolios, in the Slow Vaccine Roll Out scenario most of the increases were due to the Corporate portfolio (which accounted for 72 per cent of the increase), whereas in the Return of Inflation scenario the increases were more evenly spread across the Corporate, Project Finance and Other Debt Securities portfolios.

Note that these scenarios are not incorporated into the Group's determination of ECL provisions and the actual outcome of any scenario may be materially different due to, among other factors, the effect of management actions to mitigate potential increases in risk and changes in the underlying portfolio.

Modelled provisions

	Base forecast $million	Slow Vaccine Roll-out increase $million	Return of Inflation increase $million
Corporate, Commercial & Institutional Banking	376	113	98
Consumer, Private & Business Banking	442	45	66
Central and other items	104	(6)	(6)
Total stage 1 and 2 before overlays and multiple scenarios	922	152	158
Management overlay and multiple scenarios	296		
Total reported stage 1 and 2 ECL at 30 June 2021	1,218		
Modelled stage 3 ECL	162		
Total modelled ECL at 30 June 2021	1,380		

Proportion of assets in stage 2[1]

	Base Forecast scenario %	Slow Vaccine Roll-out scenario %	Return of Inflation downside scenario %
Corporate, Consumer & Institutional Banking	9.0	9.7	9.5
Consumer, Private & Business Banking	2.0	2.5	2.5
Central and other items	1.2	1.3	1.3
Total	4.6	5.1	5.0

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

Traded Risk

Traded Risk is the potential for loss resulting from activities undertaken by the Group in financial markets. Under the Enterprise Risk Management Framework, the Traded Risk Framework brings together Market Risk, Counterparty Credit Risk, Issuer Risk, XVA, Algorithmic Trading and Pension Risk. Traded Risk Management is the core risk management function supporting market-facing businesses, predominantly Financial Markets and Treasury Markets.

Market Risk (reviewed)

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 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 of our 2020 Annual Report (page 257).

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 (reviewed)

The average level of total trading and non-trading Value at Risk (VaR) in the first half of 2021 was $79.1 million, 41 per cent lower than the second half of 2020 ($134.1 million) and 4 per cent lower than the first half of 2020 ($82.4 million).

The actual level of total trading and non-trading VaR as at the end of the first half of 2021 was $43.9 million, 68 per cent lower than in the second half of 2020 ($137.9 million) and 65 per cent lower than the first half of 2020 ($124.6 million).

The decrease in total average VaR was driven by the extreme market volatility following the outbreak of COVID-19 and the collapse in oil prices in 2020 dropping out of the one-year VaR time horizon. The reduction in market volatility particularly impacted the credit spreads positions in the non-trading book, as demonstrated in the Daily Credit Spread VaR table on the next page.

For the trading book, the average level of VaR in the first half of 2021 was $19.2 million, 9 per cent lower than in the second half of 2020 ($21.0 million), and 47 per cent higher than in the first half of 2020 ($13.0 million). Trading activities have remained relatively unchanged and client driven.

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

	6 months ended 30.06.21				6 months ended 31.12.20				6 months ended 30.06.20			
Trading and non-trading	**Average $million**	**High[1] $million**	**Low[1] $million**	**Actual[2] $million**	Average $million	High[1] $million	Low[1] $million	Actual[2] $million	Average $million	High[1] $million	Low[1] $million	Actual[2] $million
Interest Rate Risk[3]	**72.9**	**127.9**	**38.6**	**40.5**	111.8	121.6	95.4	116.2	75.7	117.9	29.0	115.0
Foreign Exchange Risk	**8.3**	**19.0**	**4.8**	**5.7**	8.0	15.1	4.6	15.1	4.5	7.2	3.0	6.6
Commodity Risk	**5.6**	**9.7**	**2.9**	**3.3**	3.5	5.5	1.5	4.9	1.5	2.6	0.7	1.6
Equity Risk	**1.4**	**1.7**	**1.0**	**1.3**	2.8	5.4	1.5	1.5	2.4	2.7	1.9	2.0
Total[4]	**79.1**	**146.1**	**41.3**	**43.9**	134.1	158.0	109.2	137.9	82.4	132.7	28.8	124.6

	6 months ended 30.06.21				6 months ended 31.12.20				6 months ended 30.06.20			
Trading[5]	**Average $million**	**High[1] $million**	**Low[1] $million**	**Actual[2] $million**	Average $million	High[1] $million	Low[1] $million	Actual[2] $million	Average $million	High[1] $million	Low[1] $million	Actual[2] $million
Interest Rate Risk[3]	**10.7**	**13.4**	**9.1**	**9.5**	11.9	15.4	8.4	10.0	9.4	13.9	6.5	11.6
Foreign Exchange Risk	**8.3**	**19.0**	**4.8**	**5.7**	8.0	15.1	4.6	15.1	4.5	7.2	3.0	6.6
Commodity Risk	**5.6**	**9.7**	**2.9**	**3.3**	3.5	5.5	1.5	4.9	1.5	2.6	0.7	1.6
Equity Risk	**–**	**–**	**0.0**	**0.0**	–	–	–	–	-	-	-	-
Total[4]	**19.2**	**27.9**	**13.5**	**14.0**	21.0	26.9	15.0	24.7	13.0	21.3	8.3	17.4

	6 months ended 30.06.21				6 months ended 31.12.20				6 months ended 30.06.20			
Non-trading	**Average $million**	**High[1] $million**	**Low[1] $million**	**Actual[2] $million**	Average $million	High[1] $million	Low[1] $million	Actual[2] $million	Average $million	High[1] $million	Low[1] $million	Actual[2] $million
Interest Rate Risk[3]	**68.5**	**120.3**	**34.5**	**39.9**	97.8	110.2	85.8	103.5	68.0	109.6	27.3	87.3
Equity Risk[6]	**1.4**	**1.7**	**1.0**	**1.3**	2.8	5.4	1.4	1.5	2.4	2.7	1.9	2.1
Total[3]	**69.2**	**121.4**	**34.6**	**40.0**	100.6	113.7	86.0	104.7	68.8	109.7	27.7	89.1

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

2 Actual one-day VaR at period-end date

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

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

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

6 Non-trading Equity Risk VaR includes only listed equities

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

	6 months ended 30.06.21				6 months ended 31.12.20				6 months ended 30.06.20			
Trading and non-trading	**Average $million**	**High[1] $million**	**Low[1] $million**	**Actual[2] $million**	Average $million	High[1] $million	Low[1] $million	Actual[2] $million	Average $million	High[1] $million	Low[1] $million	Actual[2] $million
Credit Spread Risk[3]	**62.2**	**126.3**	**24.8**	**28.1**	95.6	106.9	85.6	99.2	65.7	110.5	23.0	86.1
Trading												
Credit Spread Risk	**6.1**	**13.7**	**3.8**	**4.3**	6.8	10.2	4.8	6.7	5.5	10.7	3.3	5.2
Non-trading												
Credit Spread Risk	**57.8**	**114.8**	**23.6**	**26.5**	90.0	99.2	80.5	92.6	58.9	94.4	21.4	80.4

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

2 Actual one-day VaR at period-end date

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

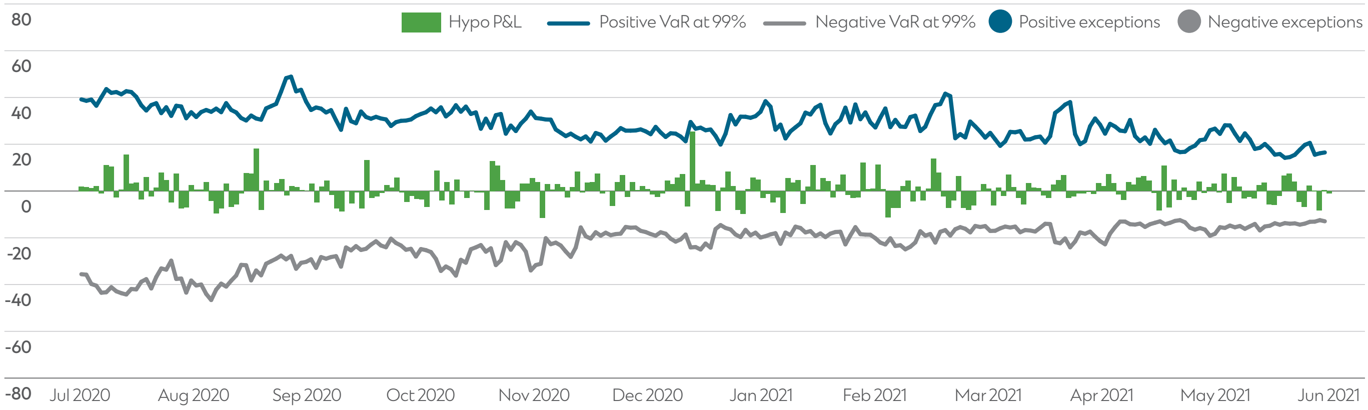
Risks not in VaR

In the first half of 2021, the main Market Risk not reflected in VaR was the potential depeg risk from currencies currently pegged or managed where the historical one-year VaR observation period does not reflect the possibility of regime change. The other material Market Risk not reflected in VaR relates to proxied market data where the availability of historical market price data for a risk factor sometimes limited and therefore proxied, generating a potential basis risk between the risk factor and its proxy. Additional capital is set aside to cover such 'risks not in VaR'. For further details on Market Risk capital, see the Market Risk section in the Standard Chartered PLC Pillar 3 Disclosures for 30 June 2021.

Backtesting

There were no regulatory backtesting exceptions at the Group level in the previous 250 business days, which is within the 'green zone' applied internationally to internal models by bank supervisors (Basel Committee on Banking Supervision, Supervisory framework for the use of backtesting in conjunction with the internal models approach to market risk capital requirements, January 1996).

Half year 2021 Backtesting Chart
Internal Model Approach regulatory trading book at Group Level
Hypothetical Profit and Loss (P&L) versus VaR (99 per cent, one day)



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

The average level of total trading daily income in the first half of 2021 was $11.7 million, 41 per cent higher than the second half of 2020 ($8.3 million) and 16 per cent lower than the first half of 2020 ($14.0 million). The year-on-year decrease in average daily income is due to lower trading activities from the bank broker-dealer and investor clients segment as the market stabilised in the first half of 2021, following extreme volatility seen in the first half of 2020 due to the outbreak of COVID-19.

Trading	**6 months ended 30.06.21 $million**	6 months ended 31.12.20 $million	6 months ended 30.06.20 $million
Interest Rate Risk	**5.6**	3.3	7.0
Foreign Exchange Risk	**5.0**	4.2	6.0
Commodity Risk	**1.1**	0.8	1.0
Equity Risk	**–**	–	–
Total	**11.7**	8.3	14.0

Non-trading	**6 months ended 30.06.21 $million**	6 months ended 31.12.20 $million	6 months ended 30.06.20 $million
Interest Rate Risk	**3.7**	1.6	1.8
Equity Risk	**–**	0.1	(0.1)
Total	**3.7**	1.7	1.7

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

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.

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

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

Despite the challenges brought by COVID-19, the Group has been resilient and kept a strong liquidity position. The Group continues to focus on improving the quality of its funding mix and remains committed to supporting its clients during these uncertain times.

Liquidity and Funding Risk metrics

We monitor key liquidity metrics regularly, both on a country basis and in aggregate across the Group.

The following liquidity and funding Board Risk Appetite metrics define the maximum amount and type of risk that the Group is willing to assume in pursuit of its strategy: liquidity coverage ratio (LCR), liquidity stress survival horizons, external wholesale borrowing, and advances-to-deposits ratio.

Liquidity coverage ratio (LCR)

The LCR is a regulatory requirement set to ensure that the Group has sufficient unencumbered high-quality liquid assets to meet its liquidity needs in a 30-calendar-day liquidity stress scenario.

The Group monitors and reports its liquidity position under European Commission Delegated Regulation 2015/61 and has maintained its liquidity position above the prudential requirement. The Group maintained strong liquidity ratios despite the impacts of the COVID-19 stress. For further detail see the Liquidity section in the Standard Chartered PLC Pillar 3 Disclosures for HY 2021.

Performance to the LCR improved in the first half of the year to 146 per cent (2020: 143 per cent), driven mainly by a reduction in the risk profile within the stressed horizon.

We also held adequate liquidity across our footprint to meet all local prudential LCR requirements where applicable.

	30.06.21 $million	31.12.20 $million
Liquidity buffer	**167,762**	175,948
Total net cash outflows	**114,964**	122,664
Liquidity coverage ratio	**146%**	143%

Stressed coverage

The Group intends to maintain a prudent and sustainable funding and liquidity position, in all countries and currencies, such that it can withstand a severe but plausible liquidity stress.

Our approach to managing liquidity and funding is reflected in the following Board-level Risk Appetite Statement:

"The Group should hold an adequate buffer of high-quality liquid assets to survive extreme but plausible liquidity stress scenarios for at least 60 days without recourse to extraordinary central bank support."

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

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

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

Combined – This scenario assumes both Standard Chartered-specific and Market-wide events affecting the Group simultaneously and hence 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.

Stress testing results show that a positive surplus was maintained under all scenarios at 30 June 2021, i.e. respective countries are able to survive for a period of time as defined under each scenario. The combined scenario at 30 June 2021 showed the Group maintained liquidity resources to survive greater than 60 days, as per our Board Risk Appetite. The results take into account currency convertibility and portability constraints across all major presence countries.

Standard Chartered Bank's credit ratings as at 30 June 2021 were A+ with negative outlook (Fitch), A with stable outlook (S&P) and A1 with stable outlook (Moody's). A downgrade in the Group's long-term credit ratings would increase derivative collateral requirements and outflows due to rating-linked liabilities. At 30 June 2021, the estimated contractual outflow of a three-notch long-term ratings downgrade is $1.5 billion.

External wholesale borrowing
The Board sets a risk limit to prevent excessive reliance on wholesale borrowing. Within the definition of Wholesale Borrowing, limits are applied to all branches and operating subsidiaries in the Group and as at the reporting date, the Group remained within Board Risk Appetite.

Advances-to-deposits ratio
This is defined as the ratio of total loans and advances to customers relative to total customer accounts. An advances-to-deposits ratio of below 100 per cent demonstrates that customer deposits exceed customer loans as a result of the emphasis placed on generating a high level of funding from customers.

The advances-to-deposits ratio has increased by 2.9 per cent to 64 per cent from strong growth momentum seen across loans and advances (+5%) mainly in Asia. Marginal growth in customer deposits for year to date June 2021.

	30.06.21 $million	31.12.20 $million
Total loans and advances to customers[1,2]	**287,591**	273,861
Total customer accounts[3]	**449,690**	448,236
Advances-to-deposits ratio	**64.0%**	61.1%

1 Excludes reverse repurchase agreement and other similar secured lending of $4,584 million and includes loans and advances to customers held at fair value through profit and loss of $10,385 million

2 Loans and advances to customers for the purpose of the advances-to-deposits ratio excludes $16,213 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 $8,543 million (31 December 2020: $8,897 million)

Net stable funding ratio (NSFR)
On 23 November 2016, the European Commission, as part of a package of risk-reducing measures, proposed a regulatory requirement for stable funding (net stable funding ratio (NSFR)) at European Union level. The proposal aims to implement the European Banking Authority's interpretation of the Basel standard on NSFR (BCBS295). The NSFR is due to become a regulatory requirement in January 2022 with a minimum of 100 per cent. Pending implementation of the final rules, the Group continues to monitor NSFR in line with the BCBS' final recommendation (BCBS295).

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

Liquidity pool

The liquidity value of the Group's LCR eligible liquidity pool at the reporting date was $168 billion. The figures in the table below account for haircuts, currency convertibility and portability constraints, and therefore are not directly comparable with the consolidated balance sheet. The pool is held to offset stress outflows as defined in European Commission Delegated Regulation 2015/61.

	30.06.21			
	Asia $ million	Africa & Middle East $ million	Europe & Americas $ million	Total $ million
Level 1 securities				
Cash and balances at central banks	31,924	1,236	44,502	77,662
Central banks, governments /public sector entities	36,690	2,252	24,594	63,536
Multilateral development banks and international organisations	5,444	440	6,526	12,410
Other	–	–	604	604
Total Level 1 securities	74,058	3,928	76,226	154,212
Level 2A securities	8,914	74	3,534	12,522
Level 2B securities	148	–	880	1,028
Total LCR eligible assets	83,120	4,002	80,640	167,762

	31.12.20			
	Asia[1] $ million	Africa & Middle East $ million	Europe & Americas $ million	Total $ million
Level 1 securities				
Cash and balances at central banks	26,726	1,421	42,502	70,649
Central banks, governments /public sector entities	41,014	1,569	33,652	76,235
Multilateral development banks and international organisations	5,372	236	6,818	12,426
Other	–	14	1,645	1,659
Total Level 1 securities	73,112	3,240	84,617	160,969
Level 2A securities	11,515	79	2,891	14,485
Level 2B securities	207	–	287	494
Total LCR eligible assets	84,834	3,319	87,795	175,948

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

Encumbrance

Encumbered assets

Encumbered assets represent on-balance sheet assets pledged or subject to any form of arrangement to secure, collateralise or credit enhance a transaction from which it cannot be freely withdrawn. Cash collateral pledged against derivatives and Hong Kong Government certificates of indebtedness, which secure the equivalent amount of Hong Kong currency notes in circulation, are included within Other assets.

Unencumbered – readily available for encumbrance

Unencumbered assets that are considered by the Group to be readily available in the normal course of business to secure funding, meet collateral needs, or be sold to reduce potential future funding requirements and are not subject to any restrictions on their use for these purposes.

Unencumbered – other assets capable of being encumbered

Unencumbered assets that, in their current form, are not considered by the Group to be readily realisable in the normal course of business to secure funding, meet collateral needs, or be sold to reduce potential future funding requirements and are not subject to any restrictions on their use for these purposes. Included within this category are loans and advances which would be suitable for use in secured funding structures such as securitisations.

Unencumbered – cannot be encumbered

Unencumbered assets that have not been pledged and cannot be used to secure funding, meet collateral needs, or be sold to reduce potential future funding requirements, as assessed by the Group.

Derivatives, reverse repurchase assets and stock lending

These assets are shown separately as these on-balance sheet amounts cannot be pledged. However, these assets can give rise to off-balance sheet collateral which can be used to raise secured funding or meet additional funding requirements.

The following table provides a reconciliation of the Group's encumbered assets to total assets.

	30.06.21									
		Assets encumbered as a result of transactions with counterparties other than central banks			Other assets (comprising assets encumbered at the central bank and unencumbered assets)					
						Assets not positioned at the central bank				
	Assets $million	As a result of securiti-sations $million	Other $million	Total $million	Assets positioned at the central bank (ie pre-positioned plus encumbered) $million	Readily available for encumbrance $million	Other assets that are capable of being encumbered $million	Derivatives and reverse repo/stock lending $million	Cannot be encumbered $million	Total $million
Cash and balances at central banks	72,985	–	–	–	9,772	63,213	–	–	–	72,985
Derivative financial instruments	52,254	–	–	–	–	–	–	52,254	–	52,254
Loans and advances to banks[1]	67,576	–	–	–	–	40,068	7,883	18,183	1,442	67,576
Loans and advances to customers[1]	355,176	–	4,098	4,098	–	–	284,894	51,373	14,811	351,078
Investment securities[2]	179,637	–	13,324	13,324	34	120,137	40,042	–	6,100	166,313
Other assets	50,678	–	17,104	17,104	–	–	20,835	–	12,739	33,574
Current tax assets	598	–	–	–	–	–	–	–	598	598
Prepayments and accrued income	2,233	–	–	–	–	–	916	–	1,317	2,233
Interests in associates and joint ventures	2,293	–	–	–	–	–	–	–	2,293	2,293
Goodwill and intangible assets	5,187	–	–	–	–	–	–	–	5,187	5,187
Property, plant and equipment	6,053	–	–	–	–	–	448	–	5,605	6,053
Deferred tax assets	811	–	–	–	–	–	–	–	811	811
Assets classified as held for sale	429	–	–	–	–	–	–	–	429	429
Total	795,910	–	34,526	34,526	9,806	223,418	355,018	121,810	51,332	761,384

1 Includes held at fair value through profit or loss and amortised cost balances

2 Includes held at fair value through profit or loss, fair value through other comprehensive income and amortised cost balances

	31.12.20									
		Assets encumbered as a result of transactions with counterparties other than central banks			Other assets (comprising assets encumbered at the central bank and unencumbered assets)					
						Assets not positioned at the central bank				
	Assets $million	As a result of securiti-sations $million	Other $million	Total $million	Assets positioned at the central bank (ie pre-positioned plus encumbered) $million	Readily available for encumbrance $million	Other assets that are capable of being encumbered $million	Derivatives and reverse repo/stock lending $million	Cannot be encumbered $million	Total $million
Cash and balances at central banks	66,712	–	–	–	7,341	59,371	–	–	–	66,712
Derivative financial instruments	69,467	–	–	–	–	–	–	69,467	–	69,467
Loans and advances to banks[1]	66,429	–	–	–	–	38,023	8,091	19,452	863	66,429
Loans and advances to customers[1]	336,276	–	3,826	3,826	–	–	268,930	48,118	15,402	332,450
Investment securities[2]	183,443	–	11,282	11,282	–	131,304	36,097	–	4,760	172,161
Other assets	48,688	–	19,054	19,054	–	–	18,741	–	10,893	29,634
Current tax assets	808	–	–	–	–	–	–	–	808	808
Prepayments and accrued income	2,122	–	–	–	–	–	980	–	1,142	2,122
Interests in associates and joint ventures	2,162	–	–	–	–	–	–	–	2,162	2,162
Goodwill and intangible assets	5,063	–	–	–	–	–	–	–	5,063	5,063
Property, plant and equipment	6,515	–	–	–	–	–	448	–	6,067	6,515
Deferred tax assets	919	–	–	–	–	–	–	–	919	919
Assets classified as held for sale	446	–	–	–	–	–	–	–	446	446
Total	789,050	–	34,162	34,162	7,341	228,698	333,287	137,037	48,525	754,888

1 Includes held at fair value through profit or loss and amortised cost balances

2 Includes held at fair value through profit or loss, fair value through other comprehensive income and amortised cost balances

The Group received $103,747 million (31 December 2020: $99,238 million) as collateral under reverse repurchase agreements that was eligible for repledging; of this, the Group sold or repledged $48,343 million (31 December 2020: $46,209 million) under repurchase agreements.

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

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 60 per cent maturing in under one year. Our less than three-month cumulative net funding gap increased from the previous year, largely due to an increase in customer accounts as the Group focused on improving the quality of its deposit base. In practice, these deposits are recognised as stable and have behavioural profiles that extend beyond their contractual maturities.

	30.06.21								
	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	63,213	–	–	–	–	–	–	9,772	72,985
Derivative financial instruments	12,624	7,995	7,168	5,102	2,349	4,546	6,600	5,870	52,254
Loans and advances to banks[1,2]	32,377	14,479	8,143	5,363	4,267	1,275	1,514	158	67,576
Loans and advances to customers[1,2]	90,670	49,787	27,742	17,881	13,684	22,935	36,981	95,496	355,176
Investment securities	11,959	18,558	14,500	15,349	12,808	25,473	38,080	42,910	179,637
Other assets	24,814	18,052	1,065	380	465	90	35	23,381	68,282
Total assets	235,657	108,871	58,618	44,075	33,573	54,319	83,210	177,587	795,910
Liabilities									
Deposits by banks[1,3]	39,442	1,050	3,217	387	202	306	182	9	44,795
Customer accounts[1,4]	396,766	36,325	28,687	10,343	8,525	6,549	2,008	2,389	491,592
Derivative financial instruments	12,557	8,546	7,191	4,971	2,401	5,107	7,497	3,882	52,152
Senior debt	659	1,813	356	630	792	5,556	16,692	11,944	38,442
Other debt securities in issue[1]	2,846	7,543	6,486	4,594	3,949	432	1,207	349	27,406
Other liabilities	26,198	21,017	2,631	750	953	1,024	1,160	17,976	71,709
Subordinated liabilities and other borrowed funds	10	73	31	1,215	47	3,362	2,710	9,509	16,957
Total liabilities	478,478	76,367	48,599	22,890	16,869	22,336	31,456	46,058	743,053
Net liquidity gap	(242,821)	32,504	10,019	21,185	16,704	31,983	51,754	131,529	52,857

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 13 Financial instruments (pages 128 to 146)

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $69.6 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of $13.1 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of $41.9 billion

	31.12.20								
	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	59,371	–	–	–	–	–	–	7,341	66,712
Derivative financial instruments	14,091	13,952	9,630	6,210	3,840	5,555	9,492	6,697	69,467
Loans and advances to banks[1,2]	29,325	17,120	8,375	4,455	2,876	1,091	2,910	277	66,429
Loans and advances to customers[1,2]	84,657	48,152	26,205	11,740	11,635	21,454	38,009	94,424	336,276
Investment securities	11,191	20,426	11,960	13,260	13,792	30,783	45,718	36,313	183,443
Other assets	22,440	18,753	1,314	191	120	43	37	23,825	66,723
Total assets	221,075	118,403	57,484	35,856	32,263	58,926	96,166	168,877	789,050
Liabilities									
Deposits by banks[1,3]	33,082	1,288	2,563	216	545	221	194	42	38,151
Customer accounts[1,4]	389,896	52,604	20,345	9,126	11,364	5,313	1,647	1,859	492,154
Derivative financial instruments	15,247	13,633	10,449	6,739	4,221	5,976	11,223	4,045	71,533
Senior debt	1,215	2,138	2,181	515	168	3,253	13,090	12,482	35,042
Other debt securities in issue[1]	1,275	7,619	10,441	2,863	2,424	61	1,132	504	26,319
Other liabilities	18,795	19,958	3,089	669	914	485	314	14,244	58,468
Subordinated liabilities and other borrowed funds	–	17	–	–	–	1,956	3,766	10,915	16,654
Total liabilities	459,510	97,257	49,068	20,128	19,636	17,265	31,366	44,091	738,321
Net liquidity gap	(238,435)	21,146	8,416	15,728	12,627	41,661	64,800	124,786	50,729

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 13 Financial instruments (pages 128 to 146)

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $67.6 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of $6.6 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of $43.9 billion

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 (reviewed)

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 with the balances reported in the consolidated balance sheet as the table incorporates all contractual cashflows, on an undiscounted basis, relating to both principal and interest payments. Derivatives not treated as hedging derivatives are included in the 'On demand' time bucket and not by contractual maturity.

Within the 'More than five years and undated' maturity band are undated financial liabilities, the majority of which relate to subordinated debt, on which interest payments are not included as this information would not be meaningful, given the instruments are undated. Interest payments on these instruments are included within the relevant maturities up to five years.

	30.06.21								
	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	39,462	1,058	3,224	392	238	322	183	8	44,887
Customer accounts	396,972	36,415	28,801	10,416	8,697	6,623	2,094	2,734	492,752
Derivative financial instruments[1]	51,491	78	14	36	128	196	186	23	52,152
Debt securities in issue	3,611	9,390	7,039	5,395	4,933	6,630	20,935	15,355	73,288
Subordinated liabilities and other borrowed funds	114	171	65	1,256	52	3,564	3,015	16,521	24,758
Other liabilities	25,914	20,854	2,531	748	950	1,024	1,160	13,060	66,241
Total liabilities	517,564	67,966	41,674	18,243	14,998	18,359	27,573	47,701	754,078

	31.12.20								
	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	33,107	1,297	2,574	227	576	225	195	54	38,255
Customer accounts	390,203	52,749	20,446	9,188	11,507	5,362	1,679	2,144	493,278
Derivative financial instruments[1]	70,216	48	219	160	60	199	510	121	71,533
Debt securities in issue	2,494	9,596	12,924	3,401	2,921	3,945	15,556	14,456	65,293
Subordinated liabilities and other borrowed funds	–	–	251	–	371	2,591	5,202	15,466	23,881
Other liabilities	17,002	19,754	2,996	657	904	483	317	9,914	52,027
Total liabilities	513,022	83,444	39,410	13,633	16,339	12,805	23,459	42,155	744,267

1 Derivatives are on a discounted basis

Interest Rate Risk in the Banking Book

The following table provides the estimated impact to a hypothetical base case projection of the Group's earnings under the following scenarios:

- a 50 basis point parallel interest rate shock (up and down) to the current market-implied path of rates, across all yield curves
- a 100 basis point parallel interest rate shock (up) to the current market-implied path of rates, across all yield curves

These interest rate shock scenarios assume all other economic variables remain constant. The sensitivities shown represent the estimated change to a hypothetical 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 the size and mix of the balance sheet remain constant and that there are no specific management actions in response to the change in rates. No assumptions are made in relation to the impact on credit spreads in a changing rate environment.

Significant modelling and behavioural assumptions are made regarding scenario simplification, market competition, pass-through rates, asset and liability re-pricing tenors, and price flooring. In particular, the assumption that interest rates of all currencies and maturities shift by the same amount concurrently, and that no actions are taken to mitigate the impacts arising from this are considered unlikely. Reported sensitivities will vary over time due to a number of factors including changes in balance sheet composition, market conditions, customer behaviour and risk management strategy and should therefore not be considered an income or profit forecast.

	30.06.21			
Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:	**USD bloc $million**	**HKD, SGD & KRW bloc $million**	**Other currency bloc $million**	**Total $million**
+ 50 basis points	**150**	**250**	**170**	**570**
– 50 basis points	**(160)**	**(280)**	**(220)**	**(660)**
+ 100 basis points	**280**	**450**	**340**	**1,070**

	31.12.20			
Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:	USD bloc $million	HKD, SGD & KRW bloc $million	Other currency bloc $million	Total $million
+ 50 basis points	60	170	70	300
– 50 basis points	(140)	(150)	(90)	(380)
+ 100 basis points	120	220	140	480

As at 30 June 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 $570 million. The equivalent impact from a parallel decrease of 50 basis points would result in a reduction in projected NII of $660 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 $1,070 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 reported sensitivities as at 31 December 2020 excluded this additional income sensitivity from the banking book lending 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. This has increased the reported sensitivity to the 50 basis point parallel shocks by $120 million, and to a 100 basis point parallel up shock by $230 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 liabilities should rates fall by a further 50 basis points, as well as differing behavioural assumptions, which are scenario specific. The decision to pass on changes in interest rates is highly speculative and depends on a range of factors including market environment and competitor behaviour.

Operational and Technology Risk

Operational and Technology Risk is defined as the "Potential for loss from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks)". It is inherent in the Group carrying out business.

Risk profile

In 2021, the Group continues to enhance the management of Operational Risk ensuring risk is managed within Risk Appetite, and we continue to deliver services to our clients.

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.

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.

Capital review

The Capital review provides an analysis of the Group's capital and leverage position and requirements.

Capital summary

The Group's capital and leverage position is managed within the Board-approved risk appetite. The Group is well capitalised with low leverage and high levels of loss-absorbing capacity.

	30.06.21	31.12.20
CET1 capital	**14.1%**	14.4%
Tier 1 capital	**16.4%**	16.5%
Total capital	**21.1%**	21.2%
UK leverage	**5.2%**	5.2%
MREL ratio	**31.7%**	30.9%
Risk-weighted assets (RWA) $million	**280,227**	268,834

The Group's CET1 capital and Tier 1 leverage position are above current requirements. For further detail see the Capital section in the Standard Chartered PLC Pillar 3 Disclosures for HY 2021.

The Group's CET1 ratio decreased 30 basis points to 14.1 per cent as higher RWA (mainly from growth in the CCIB business) and completion of the FY'20 share buy-back more than offset profits for the period and other favourable movements.

The PRA continues to set the Group's current Pillar 2A requirement as a nominal value instead of a percentage of RWA. At the half year this equated to 3.1 per cent of RWA, of which at least 1.7 per cent must be held in CET1. Because the Pillar 2A requirement is a set capital amount, the increase in RWAs since FY'20 caused the CET1 requirement expressed in ratio terms to decrease by 7 basis points. As a result, the Group's minimum CET1 requirement was 9.9 per cent at 30 June 2021.

On 9 July, 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 30 June 2021, the current treatment of software assets provided around 31 basis points of benefit to CET1.

The Group's fully phased minimum total requirement for own funds and eligible liabilities (MREL) will be 25.9 per cent of RWA from 1 January 2022 based on RWA at HY 2021. This is comprised of a minimum requirement of 22.2 per cent and the Group's combined buffer (comprising the capital conservation buffer, the GSII buffer and the countercyclical buffer). The Group's MREL position was 31.7 per cent of RWA and 10.2 per cent of leverage exposure at 30 June 2021.

In the first half of the year the Group made good progress on its MREL issuance plan, successfully raising around $7.2 billion of MREL eligible debt from its holding company. Issuance was across the capital structure including $1.25 billion of Additional Tier 1, $1.2 billion of Tier 2 and around $4.8 billion of callable senior debt.

The Group's CET1 ratio at 30 June includes the share buy-back of $255m completed in the first quarter of 2021 and an accrual for a 2021 interim dividend. The Board has recommended an interim dividend for HY 2021 of $94m or 3 cents per share representing a third of the total 2020 dividend in line with the established calculation method. In addition, the Board has announced a share buy-back of $250m, the impact of which will be reflected in the Group's CET1 position in the third quarter of 2021.

Subject to regulatory approval, we expect to complete the formation of an ASEAN hub in 2021 under our existing Singapore subsidiary entity, which itself remains under Standard Chartered Bank.

The Group is a G-SII, with a 1.0 per cent G-SII CET1 buffer. The Standard Chartered PLC G-SII disclosure is published at: sc.com/en/investors/financial-results.

CRD Capital base[1] (reviewed)

	30.06.21 $million	31.12.20 $million
CET1 instruments and reserves		
Capital instruments and the related share premium accounts	5,548	5,564
Of which: share premium accounts	3,989	3,989
Retained earnings[2]	25,695	25,723
Accumulated other comprehensive income (and other reserves)	12,278	12,688
Non-controlling interests (amount allowed in consolidated CET1)	191	180
Independently reviewed interim and year-end profits	1,924	718
Foreseeable dividends	(315)	(481)
CET1 capital before regulatory adjustments	45,321	44,392
CET1 regulatory adjustments		
Additional value adjustments (prudential valuation adjustments)	(632)	(490)
Intangible assets (net of related tax liability)[3]	(4,072)	(4,274)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	(109)	(138)
Fair value reserves related to net losses on cash flow hedges	38	52
Deduction of amounts resulting from the calculation of excess expected loss	(864)	(701)
Net gains on liabilities at fair value resulting from changes in own credit risk	53	52
Defined-benefit pension fund assets	(60)	(40)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	(46)	(48)
Exposure amounts which could qualify for risk weighting of 1250%	(40)	(26)
Total regulatory adjustments to CET1	(5,732)	(5,613)
CET1 capital	39,589	38,779
Additional Tier 1 capital (AT1) instruments	6,313	5,632
AT1 regulatory adjustments	(20)	(20)
Tier 1 capital	45,882	44,391
Tier 2 capital instruments	13,309	12,687
Tier 2 regulatory adjustments	(30)	(30)
Tier 2 capital	13,279	12,657
Total capital	59,161	57,048
Total risk-weighted assets (unreviewed)	280,227	268,834

1 CRD capital is prepared on the regulatory scope of consolidation

2 Retained earnings includes IFRS9 capital relief (transitional) of $269 million, including dynamic relief of $57 million

3 Deduction for intangible assets includes software deduction relief of $995 million as part of the CRR 'Quick Fix' measures

Movement in total capital (reviewed)

	6 months ended 30.06.21 $million	6 months ended 31.12.20 $million
CET1 at 1 January/1 July	38,779	37,625
Ordinary shares issued in the period and share premium	–	–
Share buy-back	(255)	–
Profit/(loss) for the period	1,924	(332)
Foreseeable dividends net of scrip deducted from CET1	(315)	(481)
Difference between dividends paid and foreseeable dividends	3	–
Movement in goodwill and other intangible assets	202	664
Foreign currency translation differences	(302)	1,156
Non-controlling interests	11	10
Movement in eligible other comprehensive income	(25)	167
Deferred tax assets that rely on future profitability	29	(9)
Decrease/(increase) in excess expected loss	(163)	(129)
Additional value adjustments (prudential valuation adjustment)	(142)	37
IFRS 9 day one transitional impact on regulatory reserves	(125)	29
Exposure amounts which could qualify for risk weighting	(14)	4
Fair value gains arising from the institution's own Credit Risk related to derivative liabilities	2	80
Other	(20)	(42)
CET1 at 30 June/31 December	39,589	38,779
AT1 at 1 January/1 July	5,612	5,612
Issuances net of redemptions	1,239	–
Foreign currency translation difference	3	24
Excess on AT1 grandfathered limit (ineligible)	(561)	(24)
AT1 at 30 June/31 December	6,293	5,612
Tier 2 capital at 1 January/1 July	12,657	13,231
Regulatory amortisation	(523)	(600)
Issuances net of redemptions	645	(444)
Foreign currency translation difference	(61)	333
Tier 2 ineligible minority interest	2	116
Recognition of ineligible AT1	561	24
Other	(2)	(3)
Tier 2 capital at 30 June/31 December	13,279	12,657
Total capital at 30 June/31 December	59,161	57,048

The main movements in capital in the period were:

- CET1 increased by $0.8 billion as retained profits of $1.9 billion and $0.3 billion lower deduction for software assets (part of the CRR II Quick fix measures) were only part offset by the completion of the FY'20 share buy-back of $0.3 billion, foreign exchange translation losses of $0.3 billion, other comprehensive income movements coming lower and higher regulatory deductions.
- Additional Tier 1 increased by $0.7 billion following the issuance of $1.25 billion of new 4.75 per cent securities, which was partly offset by $0.6 billion further derecognition of legacy Tier 1 securities.
- Tier 2 capital increased by $0.6 billion as issuance of $1.2 billion new Tier 2 instruments and the recognition of ineligible AT1 as Tier 2, were partly offset by regulatory amortisation and the redemption of $0.5 billion of Tier 2 securities during the period.

Risk-weighted assets by business

	30.06.21			
	Credit risk $million	Operational risk $million	Market risk $million	Total risk $million
Corporate, Commercial & Institutional Banking	**134,328**	**16,595**	**23,690**	**174,613**
Consumer, Private & Business Banking	**47,660**	**8,504**	**–**	**56,164**
Central & other items	**47,360**	**2,017**	**73**	**49,450**
Total risk-weighted assets	**229,348**	**27,116**	**23,763**	**280,227**

	31.12.20[1]			
	Credit risk $million	Operational risk $million	Market risk $million	Total risk $million
Corporate, Commercial & Institutional Banking	127,663	15,963	21,465	165,091
Consumer, Private & Business Banking	44,755	8,338	–	53,093
Central & other items	48,023	2,499	128	50,650
Total risk-weighted assets	220,441	26,800	21,593	268,834

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

Risk-weighted assets by geographic region

	30.06.21 $million	31.12.20[1] $million
Asia	**182,172**	174,283
Africa & Middle East	**52,596**	51,149
Europe & Americas	**48,556**	45,758
Central & other items	**(3,097)**	(2,356)
Total risk-weighted assets	**280,227**	268,834

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

Movement in risk-weighted assets

	Credit risk						
	Corporate, Commercial & Institutional Banking[2] $million	Consumer, Private & Business Banking[2] $million	Central & other items $million	Total $million	Operational risk $million	Market risk $million	Total risk $million
At 31 December 2019[1]	123,667	42,819	49,178	215,664	27,620	20,806	264,090
At 1 January 2020	123,611	42,875	49,178	215,664	27,620	20,806	264,090
Asset growth and mix	253	(324)	813	742	–	–	742
Asset quality	6,533	33	399	6,965	–	–	6,965
Risk-weighted assets efficiencies	227	–	–	227	–	–	227
Model, methodology and policy changes	667	298	–	965	–	(1,400)	(435)
Disposals	–	–	(7,859)	(7,859)	(1,003)	(159)	(9,021)
Foreign currency translation	(1,594)	(906)	(1,068)	(3,568)	–	–	(3,568)
Other non-credit risk movements	–	–	–	–	183	3,369	3,552
At 30 June 2020	129,697	41,976	41,463	213,136	26,800	22,616	262,552
Asset growth and mix	(9,996)	844	2,898	(6,254)	–	–	(6,254)
Asset quality	5,657	290	2,010	7,957	–	–	7,957
Risk-weighted assets efficiencies	(298)	–	–	(298)	–	–	(298)
Model, methodology and policy changes	(420)	(164)	661	77	–	(100)	(23)
Acquisitions/Disposals	–	–	–	–	–	–	–
Foreign currency translation	3,023	1,809	991	5,823	–	–	5,823
Other non-credit risk movements	–	–	–	–	–	(923)	(923)
At 31 December 2020	**127,663**	**44,755**	**48,023**	**220,441**	**26,800**	**21,593**	**268,834**
Asset growth and mix	**5,581**	**3,828**	**471**	**9,880**	**–**	**–**	**9,880**
Asset quality	**1,957**	**(292)**	**(383)**	**1,282**	**–**	**–**	**1,282**
Risk-weighted assets efficiencies	**–**	**–**	**(657)**	**(657)**	**–**	**–**	**(657)**
Model, methodology and policy changes	**–**	**(27)**	**–**	**(27)**	**–**	**–**	**(27)**
Acquisitions/Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Foreign currency translation	**(873)**	**(604)**	**(411)**	**(1,888)**	**–**	**–**	**(1,888)**
Other non-credit risk movements	**–**	**–**	**317**	**317**	**316**	**2,170**	**2,803**
At 30 June 2021	**134,328**	**47,660**	**47,360**	**229,348**	**27,116**	**23,763**	**280,227**

1 Following a reorganisation of certain clients, there has been a reclassification of balances across client segments. 1 January 2020 balances have been restated

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

Movements in risk-weighted assets

RWA increased by $11.4 billion, or 4.2 per cent from 31 December 2020 to $280.2 billion. This was mainly due to increases in Credit Risk RWA of $8.9 billion, Market Risk RWA of $2.2 billion and Operational Risk RWA of $0.3 billion.

Corporate, Commercial & Institutional Banking

Credit Risk RWA increased by $6.7 billion to $134.3 billion mainly due to:

- $5.6 billion increase due to asset balance growth in Financial Markets across all regions and Transaction Banking across Asia and Africa & Middle East
- $2 billion increase due to deterioration in asset quality from client downgrades mainly in Asia and Africa & Middle East
- $0.9 billion decrease from foreign currency translation mainly due to depreciation of currencies in Europe, India and Korea against the US dollar.

Consumer, Private & Business Banking

Credit Risk RWA increased by $2.9 billion to $47.7 billion mainly due to:

- $3.8 billion asset balance growth in Asia
- $0.3 billion decrease due to improvement in asset quality from Mortgage portfolios in Asia
- $0.6 billion decrease from foreign currency translation mainly due to depreciation of currencies in Korea, Malaysia and Singapore against the US dollar.

Central & other items

Central & other items mainly relate to the Treasury Markets liquidity portfolio, equity investments and current & deferred tax assets.

Credit Risk RWA decreased by $0.7 billion to $47.4 billion mainly due to:

- $0.7 billion decrease due to efficiencies relating to covered bonds
- $0.4 billion decrease from foreign currency translation mainly due to depreciation of currencies in Japan, Korea and India against the US dollar
- $0.4 billion decrease due to a change in certain sovereign ratings in Africa & Middle East
- $0.5 billion increase from asset balance growth primarily in Europe & America and Africa & Middle East partly offset by asset balance decline in Asia
- $0.3 billion increase relating to software intangible assets with a corresponding deduction to CET1.

Market risk

Total Market Risk RWA increased by $2.2 billion, or 10 per cent from 31 December 2020 to $23.8 billion. The increase was mainly due to Internal Models Approach (IMA) RWA, with increased IMA positions and charges for IMA Risks not in VaR. Standardised Approach (SA) RWA also increased with a rise in Specific Interest Rate Risk RWA.

Operational risk

Operational Risk RWA increased by $0.3 billion, or 1 per cent from 31 December 2020 to $27.1 billion. This was mainly due to an increase in average income as measured over a rolling three-year time horizon, with higher 2020 income replacing lower 2017 income.

UK leverage ratio

The Group's UK leverage ratio of 5.2% was flat to 31 December 2020 and is above the current minimum requirement of 3.7 per cent. The increase in end point Tier 1 (mainly due to higher CET1 and the issuance of $1.25bn of new Additional Tier 1) broadly offset an increase in the exposure measure (mainly due to on and off balance sheet growth and higher overall securities financing transaction charges).

UK leverage ratio

	30.06.21 $million	31.12.20 $million
Tier 1 capital (transitional)	**45,882**	44,391
Additional Tier 1 capital subject to phase out	**(557)**	(1,114)
Tier 1 capital (end point)[1]	**45,325**	43,277
Derivative financial instruments	**52,254**	69,467
Derivative cash collateral	**9,832**	11,759
Securities financing transactions (SFTs)	**69,555**	67,570
Loans and advances and other assets	**664,269**	640,254
Total on-balance sheet assets	**795,910**	789,050
Regulatory consolidation adjustments[2]	**(67,508)**	(60,059)
Derivatives adjustments		
Derivatives netting	**(33,043)**	(44,257)
Adjustments to cash collateral	**(16,784)**	(21,278)
Net written credit protection	**1,505**	1,284
Potential future exposure on derivatives	**49,471**	42,410
Total derivatives adjustments	**1,149**	(21,841)
Counterparty risk leverage exposure measure for SFTs	**9,178**	4,969
Off-balance sheet items	**133,785**	128,167
Regulatory deductions from Tier 1 capital	**(5,682)**	(5,521)
UK leverage exposure (end point)	**866,832**	834,765
UK leverage ratio (end point)	**5.2%**	5.2%
UK leverage exposure quarterly average	**879,678**	837,147
UK leverage ratio quarterly average	**5.1%**	5.2%
Countercyclical leverage ratio buffer	**0.1%**	0.0%
G-SII additional leverage ratio buffer	**0.4%**	0.4%

1 Tier 1 Capital (end point) is adjusted only for Grandfathered Additional Tier 1 instruments

2 Includes adjustment for qualifying central bank claims

Statement of directors' responsibilities

We confirm that to the best of our knowledge:

- The condensed consolidated interim financial statements have been prepared in accordance with UK-adopted IAS 34 Interim Financial Reporting.
- The interim management report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the six months ended 30 June 2021 and their impact on the condensed consolidated interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place during the six months ended 30 June 2021 that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could have materially affected the financial position or performance of the entity during that period

By order of the Board

Andy Halford
Group Chief Financial Officer

3 August 2021

Independent review report to Standard Chartered PLC

Conclusion

We have been engaged by Standard Chartered PLC (the 'Company' or the 'Group') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim balance sheet, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim cash flow, the related notes 1 to 30 and the risk and capital disclosures marked as 'reviewed' from page 43 to 105 (together 'the condensed consolidated interim financial statements'). We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting" and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Group will be prepared in accordance with UK adopted International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed consolidated interim financial statements in the half-yearly financial report. Our conclusion, based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP

Ernst & Young LLP
London

3 August 2021

Condensed consolidated interim income statement

For the six months ended 30 June 2021

	Notes	6 months ended 30.06.21 $million	6 months ended 30.06.20 $million
Interest income		5,122	6,875
Interest expense		(1,752)	(3,377)
Net interest income	3	3,370	3,498
Fees and commission income		2,300	1,870
Fees and commission expense		(361)	(312)
Net fee and commission income	4	1,939	1,558
Net trading income	5	1,870	2,154
Other operating income	6	449	889
Operating income		7,628	8,099
Staff costs		(3,786)	(3,330)
Premises costs		(184)	(178)
General administrative expenses		(655)	(642)
Depreciation and amortisation		(596)	(598)
Operating expenses	7	(5,221)	(4,748)
Operating profit before impairment losses and taxation		2,407	3,351
Credit impairment	8	51	(1,576)
Goodwill, property, plant and equipment and other impairment	9	(40)	(223)
Profit from associates and joint ventures		141	75
Profit before taxation		2,559	1,627
Taxation	10	(631)	(561)
Profit for the period		1,928	1,066
Profit attributable to:			
Non-controlling interests		14	18
Parent company shareholders		1,914	1,048
Profit for the period		1,928	1,066
		cents	cents
Earnings per share:			
Basic earnings per ordinary share	12	54.8	25.8
Diluted earnings per ordinary share	12	53.9	25.5

The notes on pages 114 to 162 form an integral part of these financial statements.

Condensed consolidated interim statement of comprehensive income

For the six months ended 30 June 2021

	Notes	6 months ended 30.06.21 $million	6 months ended 30.06.20 $million
Profit for the period		**1,928**	1,066
Other comprehensive loss			
Items that will not be reclassified to income statement:		**244**	(24)
Own credit (losses)/gains on financial liabilities designated at fair value through profit or loss		**(2)**	22
Equity instruments at fair value through other comprehensive income		**184**	38
Actuarial gains/(losses) on retirement benefit obligations	26	**107**	(65)
Taxation relating to components of other comprehensive income		**(45)**	(19)
Items that may be reclassified subsequently to income statement:		**(565)**	(314)
Exchange differences on translation of foreign operations:			
Net losses taken to equity		**(367)**	(841)
Net gains on net investment hedges		**64**	125
Reclassified to income statement on sale of joint venture		**–**	246
Share of other comprehensive income from associates and joint ventures		**5**	4
Debt instruments at fair value through other comprehensive income			
Net valuation (losses)/gains taken to equity		**(186)**	756
Reclassified to income statement		**(153)**	(513)
Net impact of expected credit losses		**4**	16
Cash flow hedges:			
Net gains/(losses) taken to equity		**10**	(99)
Reclassified to income statement		**7**	9
Taxation relating to components of other comprehensive income		**51**	(17)
Other comprehensive loss for the period, net of taxation		**(321)**	(338)
Total comprehensive income for the period		**1,607**	728
Total comprehensive income attributable to:			
Non-controlling interests		**16**	10
Parent company shareholders		**1,591**	718
Total comprehensive income for the period		**1,607**	728

Condensed consolidated interim balance sheet
As at 30 June 2021

	Notes	30.06.21 $million	31.12.20 $million
Assets			
Cash and balances at central banks		**72,985**	66,712
Financial assets held at fair value through profit or loss	13	**110,186**	106,787
Derivative financial instruments	13,14	**52,254**	69,467
Loans and advances to banks	13	**45,188**	44,347
Loans and advances to customers	13	**298,003**	281,699
Investment securities	13	**149,029**	153,315
Other assets	18	**50,661**	48,688
Current tax assets		**598**	808
Prepayments and accrued income		**2,233**	2,122
Interests in associates and joint ventures	19	**2,293**	2,162
Goodwill and intangible assets	16	**5,187**	5,063
Property, plant and equipment	17	**6,053**	6,515
Deferred tax assets	10	**811**	919
Assets classified as held for sale	20	**429**	446
Total assets		**795,910**	789,050
Liabilities			
Deposits by banks	13	**30,567**	30,255
Customer accounts	13	**441,147**	439,339
Repurchase agreements and other similar secured borrowing	13,15	**3,411**	1,903
Financial liabilities held at fair value through profit or loss	13	**73,663**	68,373
Derivative financial instruments	13,14	**52,152**	71,533
Debt securities in issue	13	**59,696**	55,550
Other liabilities	21	**59,439**	47,904
Current tax liabilities		**390**	660
Accruals and deferred income		**4,118**	4,546
Subordinated liabilities and other borrowed funds	13,24	**16,957**	16,654
Deferred tax liabilities	10	**736**	695
Provisions for liabilities and charges		**421**	466
Retirement benefit obligations	26	**356**	443
Total liabilities		**743,053**	738,321
Equity			
Share capital and share premium account	25	**7,042**	7,058
Other reserves		**12,278**	12,688
Retained earnings		**27,432**	26,140
Total parent company shareholders' equity		**46,752**	45,886
Other equity instruments	25	**5,757**	4,518
Total equity excluding non-controlling interests		**52,509**	50,404
Non-controlling interests		**348**	325
Total equity		**52,857**	50,729
Total equity and liabilities		**795,910**	789,050

The notes on pages 114 to 162 form an integral part of these financial statements.

These financial statements were approved by the Board of directors and authorised for issue on 3 August 2021 and signed on its behalf by:

Andy Halford
Group Chief Financial Officer

Condensed consolidated interim statement of changes in equity

For the six months ended 30 June 2021

	Ordinary share capital and share premium account[1] $million	Preference share capital and share premium account $million	Capital and merger reserves[1] $million	Own credit adjust-ment reserve $million	Fair value through other compre-hensive income reserve – debt $million	Fair value through other compre-hensive income reserve – equity $million	Cash flow hedge reserve $million	Translation reserve $million	Retained earnings $million	Parent company share-holders' equity $million	Other equity instruments $million	Non-controlling interests $million	Total $million
As at 1 January 2020	5,584	1,494	17,187	2	197	150	(59)	(5,792)	26,072	44,835	5,513	313	50,661
Profit for the period	–	–	–	–	–	–	–	–	1,048	1,048	–	18	1,066
Other comprehensive income/(loss)	–	–	–	13	209	22	(62)	(456)	(56)[2]	(330)	–	(8)	(338)
Distributions	–	–	–	–	–	–	–	–	–	–	–	(2)	(2)
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	–	–	992	–	992
Redemption of other equity instruments	–	–	–	–	–	–	–	–	(13)	(13)	(1,987)	–	(2,000)
Treasury shares net movement	–	–	–	–	–	–	–	–	(91)	(91)	–	–	(91)
Share option expense, net of taxation	–	–	–	–	–	–	–	–	74	74	–	–	74
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	–	(232)	(232)	–	–	(232)
Share buy-back[3]	(20)	–	20	–	–	–	–	–	(242)	(242)	–	–	(242)
Other movements	–	–	–	–	–	–	–	–	9[4]	9	–	–	9
As at 30 June 2020	5,564	1,494	17,207	15	406	172	(121)	(6,248)	26,569	45,058	4,518	321	49,897
(Loss)/profit for the period	–	–	–	–	–	–	–	–	(324)	(324)	–	9	(315)
Other comprehensive (loss)/income	–	–	–	(67)	123	(24)	69	1,087	67[2]	1,255	–	(4)	1,251
Distributions	–	–	–	–	–	–	–	–	–	–	–	(18)	(18)
Treasury shares net movement	–	–	–	–	–	–	–	–	1	1	–	–	1
Share option expense, net of taxation	–	–	–	–	–	–	–	–	59	59	–	–	59
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	–	(163)	(163)	–	–	(163)
Other movements	–	–	–	–	–	–	–	69	(69)[5]	–	–	17[6]	17
As at 31 December 2020	5,564	1,494	17,207	(52)	529	148	(52)	(5,092)	26,140	45,886	4,518	325	50,729
Profit for the period	–	–	–	–	–	–	–	–	1,914	1,914	–	14	1,928
Other comprehensive (loss)/income	–	–	–	(1)	(282)	142	14	(302)	106[2]	(323)	–	2	(321)
Distributions	–	–	–	–	–	–	–	–	–	–	–	(12)	(12)
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	–	–	1,239	–	1,239
Treasury shares net movement	–	–	–	–	–	–	–	–	(80)	(80)	–	–	(80)
Share option expense, net of taxation	–	–	–	–	–	–	–	–	88	88	–	–	88
Dividends on ordinary shares	–	–	–	–	–	–	–	–	(282)	(282)	–	–	(282)
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	–	(196)	(196)	–	–	(196)
Share buy-back[7]	(19)	–	19	–	–	–	–	–	(255)	(255)	–	–	(255)
Other movements	3	–	–	–	–	–	–	–	(3)	–	–	19[6]	19
As at 30 June 2021	5,548	1,494	17,226	(53)	247	290	(38)	(5,394)	27,432	46,752	5,757	348	52,857

1 Includes capital reserve of $5 million, capital redemption reserve of $110 million and merger reserve of $17,111 million
2 Comprises actuarial gain, net of taxation and share from associates and joint ventures $106 million ($67 million for the six months ended 31 December 2020 and $56 million loss for the six months ended 30 June 2020)
3 On 28 February 2020, the Group announced the buy-back programme for a share buy-back of its ordinary shares of $0.50 each. Nominal value of share purchases was $20 million, and the total consideration paid was $242 million. The total number of shares purchased was 40,029,585 representing 1.25 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account. On the 1 April 2020, the Group announced that in response to a request from the Prudential Regulation Authority and as a consequence of the unprecedented challenges facing the world due to the COVID-19 pandemic, its board had decided after careful consideration to withdraw the recommendation to pay a final dividend for 2019 of 20 cents per ordinary share and to suspend the buy-back programme
4 Comprises revenue reserves of PT Bank Permata Tbk $9 million
5 Includes $69 million related to prior period adjustments to reclass FX movements from translation reserve to retained earnings ($45 million related to FX movements of the hedging instruments for net investment hedges and $24 million related to FX movements for monetary items, which were considered structural positions)
6 Movement related to non-controlling interest from Mox Bank Limited
7 On 25 February 2021, the Group announced the buy-back programme for a share buy-back of its ordinary shares of $0.50 each. Nominal value of share purchases was $19 million, and the total consideration paid was $255 million (including $1 million of fees). The total number of shares purchased was 37,148,399 representing 1.18 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account

Note 25 includes a description of each reserve.

The notes on pages 114 to 162 form an integral part of these financial statements.

Condensed consolidated interim cash flow statement

For the six months ended 30 June 2021

	6 months ended 30.06.21 $million	6 months ended 30.06.20 $million
Cash flows from operating activities:		
Profit before taxation	**2,559**	1,627
Adjustments for non-cash items and other adjustments included within income statement	**849**	2,473
Change in operating assets	**(7,033)**	(20,525)
Change in operating liabilities	**5,157**	23,177
Contributions to defined benefit schemes	**(20)**	(19)
UK and overseas taxes paid	**(534)**	(596)
Net cash from operating activities	**978**	6,137
Cash flows from investing activities:		
Purchase of property, plant and equipment	**(450)**	(1,095)
Disposal of property, plant and equipment	**355**	109
Acquisition of investment in subsidiaries, associates, and joint ventures, net of cash acquired	**(4)**	(20)
Dividends received from subsidiaries, associates and joint ventures	**38**	–
Disposal of joint ventures, net of cash acquired	**–**	1,067
Purchase of investment securities	**(157,290)**	(164,633)
Disposal and maturity of investment securities	**159,859**	163,399
Net cash from/(used in) investing activities	**2,508**	(1,173)
Cash flows from financing activities:		
Exercise of share options	**5**	7
Purchase of own shares	**(85)**	(98)
Cancellation of shares including share buy-back	**(255)**	(242)
Premises and equipment lease liability principal payment	**(253)**	(301)
Issue of Additional Tier 1 capital, net of expenses	**1,239**	992
Redemption of Tier 1 capital	**–**	(2,000)
Gross proceeds from issue of subordinated liabilities	**1,186**	1,125
Interest paid on subordinated liabilities	**(293)**	(288)
Repayment of subordinated liabilities	**(530)**	(752)
Proceeds from issue of senior debts	**8,276**	6,679
Repayment of senior debts	**(4,865)**	(3,156)
Interest paid on senior debts	**(366)**	(272)
Dividends paid to non-controlling interests, preference shareholders and AT1 securities	**(208)**	(234)
Dividends paid to ordinary shareholders	**(282)**	–
Net cash from financing activities	**3,569**	1,460
Net increase in cash and cash equivalents	**7,055**	6,424
Cash and cash equivalents at beginning of the period	**97,874**	77,454
Effect of exchange rate movements on cash and cash equivalents	**(769)**	(445)
Cash and cash equivalents at end of the period[1]	**104,160**	83,433

1 Comprises cash and balances at central banks $72,985 million (30 June 2020: $52,925 million), treasury bills and other eligible bills $11,085 million (30 June 2020: $7,483 million), loans and advances to banks $27,600 million (30 June 2020: $29,102 million), trading securities $2,265 million (30 June 2020: $2,575 million) less restricted balances $9,775 million (30 June 2020: $8,652 million)

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Notes to the financial statements

1. Accounting policies

Statement of compliance

The Group's condensed consolidated interim financial statements consolidate those of Standard Chartered PLC (the Company) and its subsidiaries (together referred to as the Group) and equity account the Group's interest in associates and jointly controlled entities.

These interim financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority (FCA) and with UK-adopted IAS 34 Interim Financial Reporting. They should be read in conjunction the 2020 Annual Report, which was prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The Group's Annual Report 2021 will be prepared in accordance with UK-adopted IFRS.

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

a) Risk review: Disclosures marked as 'reviewed' from the start of the Credit Risk section (page 43) to the end of Other principal risks in the same section (page 98); and

b) Capital review: Tables marked as 'reviewed' from the start of 'CRD Capital base' to the end of 'Movement in total capital', excluding 'Total risk-weighted assets' (pages 100 to 102).

Basis of preparation

The consolidated 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, assets held for sale, 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 ($), and all values are rounded to the nearest million dollars, except when otherwise indicated.

Significant accounting estimates and judgements

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. The significant judgements made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those applied to the consolidated financial statements as at, and for, the year ended 31 December 2020. Summaries of the Group's significant accounting policies are included throughout the 2020 Annual Report.

IFRS and Hong Kong accounting requirements

As required by the Hong Kong Listing Rules, an explanation of the differences in accounting practices between UK-adopted IFRS and Hong Kong Financial Reporting Standards is required to be disclosed. There would be no significant differences had these accounts been prepared in accordance with Hong Kong Financial Reporting Standards.

Comparatives

Certain comparatives have been restated in line with current year disclosures. Details of these changes are set out in the relevant sections and notes below:

- Note 2 Segmental information
- Note 4 Net fees and commission
- Note 13 Financial instruments
- Note 16 Goodwill and intangible assets
- Risk review: tables marked as 'reviewed' disaggregating credit risk information by client segment have been restated following the Group's change in organisational structure that came into effect on 1 January 2021
- Risk review: Vulnerable sector tables

1. Accounting policies continued

New accounting standards adopted by the Group

Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021

The Group early-adopted amendments to IFRS 16 for the year ended 31 December 2020 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. This is described on page 305 of the 2020 Annual Report. In March 2021 the IASB extended the availability of the practical expedient by one year, 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 interim 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 has been deferred to 1 January 2023. The Group is assessing the likely implementation impact on adopting the standards on its financial statements.

Amendments to IFRS 9 Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities

In May 2020 the IASB published its 2018-2020 annual improvements process which provides non-urgent but necessary amendments to IFRS. This publication included changes to IFRS 9 that will be effective prospectively from 1 January 2022, with early adoption permitted. Under these amendments, when assessing changes in terms of a financial liability, the only fees considered in the assessment of whether the terms of a new or modified financial liability are substantially different (i.e. a change in present value of more than 10 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 interim financial statements were approved by the Board of directors on 3 August 2021. The directors have made an assessment of the Group's ability to continue as a going concern. This assessment has been made having considered the impact of COVID-19, macroeconomic and geopolitical headwinds, including:

- A review of the Group Strategy and Corporate Plan, both of which cover a year from the date of signing the annual report
- An assessment of the actual performance to date, loan book quality, credit impairment, legal, regulatory and compliance matters, and the annual budget
- Consideration of stress testing performed, including both the Bank of England annual stress test and a Group Recovery and Resolution Plan (RRP) as submitted to the PRA. Both these submissions include the application of stressed scenarios including; COVID additional waves with the accompanying economic shocks, credit impact and short term liquidity shocks. Under the tests and through the range of scenarios, the results of these stress tests and the RRP demonstrate that the Group has sufficient capital and liquidity to continue as a going concern and meet minimum regulatory capital and liquidity requirements
- Analysis of the capital, funding and liquidity position of the Group, including the capital and leverage ratios, and ICAAP which summarises the Group's capital and risk assessment processes, assesses its capital requirements and the adequacy of resources to meet them. Further, funding and liquidity was considered in the context of the risk appetite metrics, including the ADR and LCR ratios
- The Group's Internal Liquidity Adequacy Assessment Process (ILAAP), which considers the Group's liquidity position, its framework and whether sufficient liquidity resources are being maintained to meet liabilities as they fall due, was also reviewed
- The level of debt in issue, including redemptions and issuances during the year, debt falling due for repayment in the next 12 months and further planned debt issuances, 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 the period from 3 August 2021 to 3 August 2022. For this reason, the Group continues to adopt the going concern basis of accounting for preparing the financial statements.

2. Segmental information

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.

Segments and regions

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.

Following the Group's change in organisational structure, effective 1 January 2021, the composition of the reportable segments has been amended to reflect this new structure.

As such, there are two new reportable business segments;

- Corporate & Institutional Banking and Commercial banking have been combined to form Corporate, Commercial & Institutional Banking, serving larger companies and institutions.
- Retail and Private banking have been combined to form Consumer, Private & Business Banking serving individual and business banking clients.

From a regional perspective, Greater China & North Asia and ASEAN & South Asia have been combined to form a single Asia region.

The three geographic regions are now: 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 activities, certain strategic investments and the UK bank levy.

The changes above require comparative periods to be restated.

Restructuring items excluded from underlying results

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

Restructuring charges of $123 million primarily relate to redundancies, set up expenses related to flexible working and impairments on property as the Group adapts to new ways of working post-pandemic.

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

Profit before taxation (PBT)

	6 months ended 30.06.21					
	Underlying $million	Provision for regulatory matters $million	Restructuring $million	Net gain on businesses disposed/ held for sale $million	Goodwill impairment $million	Statutory $million
Operating income	7,618	–	10	–	–	7,628
Operating expenses	(5,092)	–	(129)	–	–	(5,221)
Operating profit/(loss) before impairment losses and taxation	2,526	–	(119)	–	–	2,407
Credit impairment	47	–	4	–	–	51
Other impairment	(25)	–	(15)	–	–	(40)
Profit from associates and joint ventures	134	–	7	–	–	141
Profit/(loss) before taxation	2,682	–	(123)	–	–	2,559

2. Segmental information continued

	6 months ended 30.06.20					
	Underlying $million	Provision for regulatory matters $million	Restructuring $million	Net gain on businesses disposed/ held for sale $million	Goodwill impairment $million	Statutory $million
Operating income	8,047	–	46	6	–	8,099
Operating expenses	(4,713)	14	(49)	–	–	(4,748)
Operating profit/(loss) before impairment losses and taxation	3,334	14	(3)	6	–	3,351
Credit impairment	(1,567)	–	(9)	–	–	(1,576)
Other impairment	112	–	(77)	–	(258)	(223)
Profit from associates and joint ventures	76	–	(1)	–	–	75
Profit/(loss) before taxation	1,955	14	(90)	6	(258)	1,627

Underlying performance by client segment

	6 months ended 30.06.21			
	Corporate, Commercial & Institutional Banking $million	Consumer Private & Business Banking $million	Central & Other items (segment) $million	Total $million
Operating income	4,292	2,969	357	7,618
External	4,087	2,773	758	7,618
Inter-segment	205	196	(401)	–
Operating expenses	(2,582)	(2,098)	(412)	(5,092)
Operating profit/(loss) before impairment losses and taxation	1,710	871	(55)	2,526
Credit impairment	136	(93)	4	47
Other impairment	(25)	–	–	(25)
Profit from associates and joint ventures	–	–	134	134
Underlying profit before taxation	1,821	778	83	2,682
Restructuring	(38)	(22)	(63)	(123)
Goodwill impairment	–	–	–	–
Other items	–	–	–	–
Statutory profit before taxation	1,783	756	20	2,559
Total assets	387,689	137,452	270,769	795,910
Of which: loans and advances to customers	197,732	134,291	23,153	355,176
loans and advances to customers	141,205	134,192	22,606	298,003
loans held at fair value through profit or loss (FVTPL)	56,527	99	547	57,173
Total liabilities	452,449	179,967	110,637	743,053
Of which: customer accounts[1]	307,619	175,556	8,417	491,592

1 Customer accounts includes FVTPL and repurchase agreements

2. Segmental information continued

	6 months ended 30.06.20			
	Corporate, Commercial & Institutional Banking[1] $million	Consumer Private & Business Banking[1] $million	Central & Other items (segment) $million	Total $million
Operating income	4,655	2,909	483	8,047
External	4,662	2,355	1,030	8,047
Inter-segment	(7)	554	(547)	–
Operating expenses	(2,384)	(2,041)	(288)	(4,713)
Operating profit before impairment losses and taxation	2,271	868	195	3,334
Credit impairment	(1,107)	(450)	(10)	(1,567)
Other impairment	115	(1)	(2)	112
Profit from associates and joint ventures	–	–	76	76
Underlying profit before taxation	1,279	417	259	1,955
Restructuring	(74)	(6)	(10)	(90)
Goodwill impairment	–	–	(258)	(258)
Other Items	–	–	20	20
Statutory profit before taxation	1,205	411	11	1,627
Total assets	369,781	120,529	251,275	741,585
Of which: loans and advances to customers	192,543	118,182	17,440	328,165
loans and advances to customers	140,888	118,000	17,425	276,313
loans held at fair value through profit or loss (FVTPL)	51,655	182	15	51,852
Total liabilities	446,498	168,264	76,926	691,688
Of which: customer accounts[2]	298,019	164,813	6,632	469,464

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 Customer accounts includes FVTPL and repurchase agreements

Operating income by client segment

	6 months ended 30.06.21			
	Corporate, Commercial & Institutional Banking $million	Consumer Private & Business Banking $million	Central & Other items (segment) $million	Total $million
Underlying operating income	**4,292**	**2,969**	**357**	**7,618**
Restructuring	**12**	**–**	**(2)**	**10**
Other items	**–**	**–**	**–**	**–**
Statutory operating income	**4,304**	**2,969**	**355**	**7,628**

	6 months ended 30.06.20			
	Corporate, Commercial & Institutional Banking[1] $million	Consumer Private & Business Banking[1] $million	Central & Other items (segment) $million	Total $million
Underlying operating income	4,655	2,909	483	8,047
Restructuring	47	–	(1)	46
Other items	–	–	6	6
Statutory operating income	4,702	2,909	488	8,099

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. Segmental information continued

Underlying performance by region

	6 months ended 30.06.21				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	5,463	1,250	993	(88)	7,618
Operating expenses	(3,298)	(815)	(725)	(254)	(5,092)
Operating profit/(loss) before impairment losses and taxation	2,165	435	268	(342)	2,526
Credit impairment	(47)	40	62	(8)	47
Other impairment	(15)	–	7	(17)	(25)
Profit from associates and joint ventures	136	–	–	(2)	134
Underlying profit/(loss) before taxation	2,239	475	337	(369)	2,682
Restructuring	(27)	(3)	(20)	(73)	(123)
Goodwill impairment	–	–	–	–	–
Other items	–	–	–	–	–
Statutory profit/(loss) before taxation	2,212	472	317	(442)	2,559
Total assets	467,933	57,797	261,041	9,139	795,910
Of which: loans and advances to customers	255,630	29,825	69,721	–	355,176
loans and advances to customers	240,297	27,256	30,450	–	298,003
loans held at fair value through profit or loss (FVTPL)	15,333	2,569	39,271	–	57,173
Total liabilities	418,583	39,464	213,713	71,293	743,053
Of which: customer accounts[2]	334,639	32,847	124,106	–	491,592

	6 months ended 30.06.20				
	Asia[1] $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	5,520	1,255	1,095	177	8,047
Operating expenses	(3,027)	(793)	(661)	(232)	(4,713)
Operating profit/(loss) before impairment losses and taxation	2,493	462	434	(55)	3,334
Credit impairment	(1,127)	(370)	(80)	10	(1,567)
Other impairment	150	(2)	2	(38)	112
Profit from associates and joint ventures	74	–	–	2	76
Underlying profit/(loss) before taxation	1,590	90	356	(81)	1,955
Restructuring	(50)	(9)	(10)	(21)	(90)
Goodwill impairment	–	–	–	(258)	(258)
Other Items	–	–	–	20	20
Statutory profit/(loss) before taxation	1,540	81	346	(340)	1,627
Total assets	443,860	63,927	223,226	10,572	741,585
Of which: loans and advances to customers	229,743	33,083	65,339	–	328,165
loans and advances to customers	217,795	30,264	28,254	–	276,313
loans held at fair value through profit or loss (FVTPL)	11,948	2,819	37,085	–	51,852
Total liabilities	390,315	40,740	217,300	43,333	691,688
Of which: customer accounts[2]	314,910	32,530	122,024	–	469,464

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

2 Customer accounts includes FVTPL and repurchase agreements

2. Segmental information continued

Operating income by region

	6 months ended 30.06.21				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Underlying operating income	5,463	1,250	993	(88)	7,618
Restructuring	25	2	–	(17)	10
Other items	–	–	–	–	–
Statutory operating income	5,488	1,252	993	(105)	7,628

	6 months ended 30.06.20				
	Asia[1] $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Underlying operating income	5,520	1,255	1,095	177	8,047
Restructuring	52	6	–	(12)	46
Other items	–	–	–	6	6
Statutory operating income	5,572	1,261	1,095	171	8,099

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

Additional segmental information (statutory)

	6 months ended 30.06.21			
	Corporate, Commercial & Institutional Banking $million	Consumer Private & Business Banking $million	Central & Other items (segment) $million	Total $million
Net interest income	1,596	1,609	165	3,370
Net fees and commission income	882	1,078	(21)	1,939
Net trading and other income	1,826	282	211	2,319
Operating income	4,304	2,969	355	7,628

	6 months ended 30.06.20			
	Corporate, Commercial & Institutional Banking[1] $million	Consumer Private & Business Banking[1] $million	Central & Other items (segment) $million	Total $million
Net interest income	1,692	1,816	(10)	3,498
Net fees and commission income	738	846	(26)	1,558
Net trading and other income	2,272	247	524	3,043
Operating income	4,702	2,909	488	8,099

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

	6 months ended 30.06.21				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Net interest income	2,549	585	233	3	3,370
Net fees and commission income	1,464	310	256	(91)	1,939
Net trading and other income	1,475	357	504	(17)	2,319
Operating income	5,488	1,252	993	(105)	7,628

2. Segmental information continued

	6 months ended 30.06.20				
	Asia[1] $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Net interest income	2,564	641	95	198	3,498
Net fees and commission income	1,133	267	237	(79)	1,558
Net trading and other income	1,875	353	763	52	3,043
Operating income	5,572	1,261	1,095	171	8,099

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

	6 months ended 30.06.21							
	Hong Kong $million	**Korea $million**	**China $million**	**Singapore $million**	**India $million**	**UAE $million**	**UK $million**	**US $million**
Net interest income	**702**	**365**	**305**	**369**	**317**	**109**	**101**	**89**
Net fees and commission income	**465**	**124**	**111**	**353**	**128**	**45**	**28**	**170**
Net trading and other income	**696**	**99**	**153**	**94**	**168**	**122**	**355**	**130**
Operating income	**1,863**	**588**	**569**	**816**	**613**	**276**	**484**	**389**

	6 months ended 30.06.20							
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	UAE $million	UK $million	US $million
Net interest income	843	312	265	329	345	150	(41)	92
Net fees and commission income	372	83	68	249	115	57	6	191
Net trading and other income	659	162	141	212	265	110	601	149
Operating income	1,874	557	474	790	725	317	566	432

3. Net interest income

	6 months ended 30.06.21 $million	6 months ended 30.06.20 $million
Balances at central banks	**42**	77
Loans and advances to banks	**247**	479
Loans and advances to customers	**3,665**[1]	4,738
Debt securities	**904**	1,260
Other eligible bills	**149**	304
Accrued on impaired assets (discount unwind)	**115**	17
Interest income	**5,122**	6,875
Of which: financial instruments held at fair value through other comprehensive income	**783**	1,332
Deposits by banks	**74**	235
Customer accounts	**1,121**	2,276
Debt securities in issue	**284**	485
Subordinated liabilities and other borrowed funds	**246**	350
Interest expense on IFRS 16 lease liabilities	**27**	31
Interest expense	**1,752**	3,377
Net interest income	**3,370**	3,498

1 Includes a $73 million adjustment in relation to interest earned on impaired assets as required by IFRS9 Financial Instruments: Recognition and Measurement

4. Net fees and commission

	6 months ended 30.06.21 $million	6 months ended 30.06.20 $million
Fees and commissions income	2,300	1,870
Of which:		
Financial instruments that are not fair valued through profit or loss	660	512
Trust and other fiduciary activities	385	51
Fees and commissions expense	(361)	(312)
Of which:		
Financial instruments that are not fair valued through profit or loss	(104)	(56)
Trust and other fiduciary activities	(23)	(3)
Net fees and commission	1,939	1,558

	6 months ended 30.06.21			
	Corporate, Commercial & Institutional Banking $million	Consumer Private & Business Banking $million	Central & Other Items (Segment) $million	Total $million
Transaction Banking	547	20	–	567
Trade	298	14	–	312
Cash Management	249	6	–	255
Financial Markets	268	–	–	268
Lending & Portfolio Management	66	1	–	67
Wealth Management	1	849	–	850
Retail Products	–	207	–	207
Treasury	–	–	(19)	(19)
Others	–	1	(2)	(1)
Net fees and commission	882	1,078	(21)	1,939

	6 months ended 30.06.20			
	Corporate, Commercial & Institutional Banking[1] $million	Consumer Private & Business Banking[1] $million	Central & Other Items (Segment) $million	Total $million
Transaction Banking	473	15	–	488
Trade	263	10	–	273
Cash Management	210	5	–	215
Financial Markets	228	–	–	228
Lending & Portfolio Management	37	–	–	37
Wealth Management	–	670	–	670
Retail Products	–	162	–	162
Treasury	–	–	(14)	(14)
Others	–	(1)	(12)	(13)
Net fees and commission	738	846	(26)	1,558

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 $676 million (30 June 2020: $760 million). The income will be earned evenly over the next 8 years (30 June 2020: 9 years). For the six months ended 30 June 2021, $42 million of fee income was released from deferred income (30 June 2020: $42 million).

5. Net trading income

	6 months ended 30.06.21 $million	6 months ended 30.06.20 $million
Net trading income	**1,870**	2,154
Significant items within net trading income include:		
Gains on instruments held for trading[1]	**1,865**	1,966
Gains on financial assets mandatorily at fair value through profit or loss	**81**	384
Losses on financial assets designated at fair value through profit or loss	**(9)**	(6)
Losses on financial liabilities designated at fair value through profit or loss	**(25)**	(166)

1 Includes $250 million gain (30 June 2020: $550 million gain) from the translation of foreign currency monetary assets and liabilities

6. Other operating income

	6 months ended 30.06.21 $million	6 months ended 30.06.20 $million
Other operating income includes:		
Rental income from operating lease assets	**229**	242
Gains less losses on disposal of fair value through other comprehensive income debt instruments	**153**	511
Gains less losses on amortised cost financial assets	**8**	13
Net gain on sale of businesses	**–**	6
Dividend income	**7**	30
Gain on sale of aircrafts	**23**	5
Other	**29**	82
Other operating income	**449**	889

7. Operating expenses

	6 months ended 30.06.21 $million	6 months ended 30.06.20 $million
Staff costs:		
Wages and salaries	**2,914**	2,564
Social security costs	**103**	80
Other pension costs (Note 30)	**199**	172
Share-based payment costs (Note 31)	**99**	65
Other staff costs	**471**	449
	3,786	3,330

7. Operating expenses continued

The following table summarises the number of employees within the Group:

	Business	Support services	Total
At 30 June 2021	**36,435**	**48,305**	**84,740**
At 31 December 2020	34,905	48,752	83,657

	6 months ended 30.06.21 $million	6 months ended 30.06.20 $million
Premises and equipment expenses:	**184**	178
General administrative expenses:		
Provision for regulatory matters	**–**	14
Other general administrative expenses	**655**	628
	655	642
Depreciation and amortisation:		
Property, plant and equipment:		
Premises	**188**	188
Equipment	**60**	60
Operating lease assets	**112**	107
	360	355
Intangibles:		
Software	**233**	241
Acquired on business combinations	**3**	2
	596	598
Total operating expenses	**5,221**	4,748

8. Credit impairment

	6 months ended 30.06.21 $million	6 months ended 30.06.20 $million
Net credit impairment on loans and advances to banks and customers[1]	**(6)**	1,496
Net credit impairment on debt securities	**6**	19
Net credit impairment relating to financial guarantees and loan commitments	**(51)**	63
Net credit impairment relating to other financial assets	**–**	(2)
Credit impairment[2]	**(51)**	1,576

1 Includes a $20 million charge relating to additional stage 3 credit impairment recognised following the adjustment for interest earned on credit impaired stage 3 assets (see Note 3)

2 No material purchased or originated credit-impaired (POCI) assets

9. Goodwill, property, plant and equipment and other impairment

	6 months ended 30.06.21 $million	6 months ended 30.06.20 $million
Impairment of goodwill (Note 16)	**–**	258
Impairment of property, plant and equipment (Note 17)	**47**	51
Impairment of other intangible assets (Note 16)	**–**	2
Other	**(7)**	(88)[1]
Property, plant and equipment and other impairment	**40**	(35)
Goodwill, property, plant and equipment and other impairment	**40**	223

1 Includes a reversal of $165 million as a result of a recovery on a disputed derivative receivable, following a favourable court ruling

10. Taxation

The following table provides analysis of taxation charge in the period:

	6 months ended 30.06.21 $million	6 months ended 30.06.20 $million
The charge for taxation based upon the profit for the period comprises:		
Current tax:		
United Kingdom corporation tax at 19 per cent (2020: 19 per cent):		
Current tax charge on income for the period	–	–
Adjustments in respect of prior periods (including double tax relief)	2	–
Foreign tax:		
Current tax charge on income for the period	497	613
Adjustments in respect of prior periods	(34)	(334)
	465	279
Deferred tax:		
Origination/reversal of temporary differences	167	(54)
Adjustments in respect of prior periods	(1)	336
	166	282
Tax on profits on ordinary activities	631	561
Effective tax rate	24.7%	34.5%

The tax charge for the period has been calculated by applying the effective rate of tax which is expected to apply for the year ending 31 December 2021 using rates substantively enacted at 30 June 2021. The rate has been calculated by estimating and applying an average annual effective income tax rate to each tax jurisdiction individually.

The tax charge for the period of $631 million (30 June 2020: $561 million) on a profit before tax of $2,559 million (30 June 2020: $1,627 million) reflects the impact of countries with tax rates higher or lower than the UK, the most significant of which is India, non-deductible expenses and non-creditable withholding taxes. The adjustments in respect of prior years include $nil million (30 June 2020: $277 million) adjustment between current and deferred tax, relating to the treatment of loan impairments in India as deductible in the period they are impaired.

Foreign tax includes current tax of $60 million (30 June 2020: $118 million) on the profits assessable in Hong Kong. Deferred tax includes origination or reversal of temporary differences of $35 million (30 June 2020: $(39) million) provided at a rate of 16.5 per cent (30 June 2020: 16.5 per cent) on the profits assessable in Hong Kong.

Deferred tax comprises assets and liabilities as follows:

	30.06.21			31.12.20		
	Total $million	Asset $million	Liability $million	Total $million	Asset $million	Liability $million
Deferred tax comprises:						
Accelerated tax depreciation	(500)	(43)	(457)	(493)	(30)	(463)
Impairment provisions on loans and advances	376	417	(41)	419	403	16
Tax losses carried forward	259	137	122	282	171	111
Fair value through other comprehensive income	(123)	(34)	(89)	(146)	(61)	(85)
Cash flow hedges	(1)	(1)	–	2	6	(4)
Own credit adjustment	4	3	1	3	2	1
Retirement benefit obligations	19	10	9	36	25	11
Share-based payments	24	9	15	23	8	15
Other temporary differences	17	313	(296)	98	395	(297)
	75	811	(736)	224	919	(695)

11. Dividends

Ordinary equity shares

	6 months ended 30.06.21		6 months ended 31.12.20		6 months ended 30.06.20	
	Cents per share	$million	Cents per share	$million	Cents per share	$million
2020/2019 final dividend declared and paid during the year	9	282	–	–	–	–
2021 interim dividend declared and paid during the year	–	–	–	–	–	–

The 2020 final dividend per share of 9 cents per ordinary share ($282 million) was paid to eligible shareholders on 20 May 2021, and is recognised in these interim accounts.

Interim 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.

On 31 March 2020, the Group announced that in response to a request from the Prudential Regulation Authority and as a consequence of the unprecedented challenges facing the world due to the COVID-19 pandemic, its Board had decided after careful consideration to withdraw the recommendation to pay a final dividend for 2019 of 20 cents per ordinary share.

2021 recommended interim dividend
The 2021 interim dividend of 3 cents per ordinary share will be paid in pounds sterling, Hong Kong dollars or US dollars on 22 October 2021 to shareholders on the UK register of members at the close of business in the UK on 13 August 2021.

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.

	6 months ended 30.06.21 $million	6 months ended 31.12.20 $million	6 months ended 30.06.20 $million
Non-cumulative redeemable preference shares: 7.014 per cent preference shares of $5 each	26	27	26
6.409 per cent preference shares of $5 each	7	7	13
	33	34	39
Additional Tier 1 securities: fixed rate resetting perpetual subordinated contingent convertible securities	163	129	193
	196	163	232

12. Earnings per ordinary share

	6 months ended 30.06.21 $million	6 months ended 30.06.20 $million
Profit for the period attributable to equity holders	**1,928**	1,066
Non-controlling interest	**(14)**	(18)
Dividend payable on preference shares and AT1 classified as equity	**(196)**	(232)
Profit for the period attributable to ordinary shareholders	**1,718**	816
Items normalised:		
Provision for regulatory matters	**–**	(14)
Restructuring	**123**	90
Goodwill impairment (Note 9)	**–**	258
Net loss on sale of businesses (Note 6)	**–**	(6)
Tax on normalised items[1]	**(15)**	(6)
Underlying profit	**1,826**	1,138
Basic – Weighted average number of shares (millions)	**3,133**	3,168
Diluted – Weighted average number of shares (millions)	**3,185**	3,204
Basic earnings per ordinary share (cents)	**54.8**	25.8
Diluted earnings per ordinary share (cents)	**53.9**	25.5
Underlying basic earnings per ordinary share (cents)	**58.3**	35.9
Underlying diluted earnings per ordinary share (cents)	**57.3**	35.5

1 No tax is included in respect of the impairment of goodwill as no tax relief is available

13. Financial instruments

Classification and measurement

The Group's classification of its financial assets and liabilities is summarised in the following tables.

Assets	Notes	Trading $million	Derivatives held for hedging $million	Non-trading mandatorily at fair value through profit or loss $million	Designated at fair value through profit or loss $million	Fair value through other comprehensive income $million	Total financial assets at fair value $million	Assets held at amortised cost $million	Total $million
		Assets at fair value							
Cash and balances at central banks		–	–	–	–	–	–	72,985	72,985
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		1,611	–	3,214	–	–	4,825	–	4,825
Loans and advances to customers[1]		6,307	–	4,078	–	–	10,385	–	10,385
Reverse repurchase agreements and other similar secured lending	15	–	–	64,351	–	–	64,351	–	64,351
Debt securities, alternative tier one and other eligible bills		27,288	–	526	202	–	28,016	–	28,016
Equity shares		2,347	–	245	–	–	2,592	–	2,592
Other assets	18	–	–	17	–	–	17	–	17
		37,553	–	72,431	202	–	110,186	–	110,186
Derivative financial instruments	14	50,999	1,255	–	–	–	52,254	–	52,254
Loans and advances to banks[1]		–	–	–	–	–	–	45,188	45,188
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	620	620
Loans and advances to customers[1]		–	–	–	–	–	–	298,003	298,003
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	4,584	4,584
Investment securities									
Debt securities, alternative tier one and other eligible bills		–	–	–	–	123,905	123,905	24,457	148,362
Equity shares		–	–	–	–	667	667	–	667
		–	–	–	–	124,572	124,572	24,457	149,029
Other assets	18	–	–	–	–	–	–	43,907	43,907
Assets held for sale	20	–	–	–	1	–	1	56	57
Total at 30 June 2021		88,552	1,255	72,431	203	124,572	287,013	484,596	771,609

1 Further analysed in Risk review and Capital review (pages 43 to 105)

13. Financial instruments continued

Assets	Notes	Trading $million	Derivatives held for hedging $million	Non-trading mandatorily at fair value through profit or loss $million	Designated at fair value through profit or loss $million	Fair value through other comprehensive income $million	Total financial assets at fair value $million	Assets held at amortised cost $million	Total $million
		Assets at fair value							
Cash and balances at central banks		–	–	–	–	–	–	66,712	66,712
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		1,552	–	2,325	–	–	3,877	–	3,877
Loans and advances to customers[1]		4,169	–	5,129	79	–	9,377	–	9,377
Reverse repurchase agreements and other similar secured lending	15	–	–	63,405	–	–	63,405	–	63,405
Debt securities, alternative tier one and other eligible bills		24,919	–	425	256	–	25,600	–	25,600
Equity shares		4,223	–	305	–	–	4,528	–	4,528
Other assets	18	–	–	–	–	–	–	–	–
		34,863	–	71,589	335	–	106,787	–	106,787
Derivative financial instruments	14	67,826	1,641	–	–	–	69,467	–	69,467
Loans and advances to banks[1]		–	–	–	–	–	–	44,347	44,347
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	1,247	1,247
Loans and advances to customers[1]		–	–	–	–	–	–	281,699	281,699
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		–	–	–	–	133,381	133,381	19,480	152,861
Equity shares		–	–	–	–	454	454	–	454
		–	–	–	–	133,835	133,835	19,480	153,315
Other assets	18	–	–	–	–	–	–	40,978	40,978
Assets held for sale	20	–	–	–	5	–	5	83	88
Total at 31 December 2020		102,689	1,641	71,589	340	133,835	310,094	453,299	763,393

1 Further analysed in Risk review and Capital review (pages 43 to 105)

13. Financial instruments continued

Liabilities	Notes	Liabilities at fair value: Trading $million	Derivatives held for hedging $million	Designated at fair value through profit or loss $million	Total financial liabilities at fair value $million	Liabilities held at amortised cost $million	Total $million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	1,144	1,144	–	1,144
Customer accounts		–	–	8,543	8,543	–	8,543
Repurchase agreements and other similar secured borrowing	15	–	–	51,575	51,575	–	51,575
Debt securities in issue		–	–	6,152	6,152	–	6,152
Short positions		6,249	–	–	6,249	–	6,249
		6,249	–	67,414	73,663	–	73,663
Derivative financial instruments	14	51,462	690	–	52,152	–	52,152
Deposits by banks		–	–	–	–	30,567	30,567
Customer accounts		–	–	–	–	441,147	441,147
Repurchase agreements and other similar secured borrowing	15	–	–	–	–	3,411	3,411
Debt securities in issue		–	–	–	–	59,696	59,696
Other liabilities	21	–	–	–	–	58,737	58,737
Subordinated liabilities and other borrowed funds	24	–	–	–	–	16,957	16,957
Total at 30 June 2021		57,711	690	67,414	125,815	610,515	736,330

Liabilities	Notes	Liabilities at fair value: Trading $million	Derivatives held for hedging $million	Designated at fair value through profit or loss $million	Total financial liabilities at fair value $million	Liabilities held at amortised cost $million	Total $million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	1,249	1,249	–	1,249
Customer accounts		–	–	8,897	8,897	–	8,897
Repurchase agreements and other similar secured borrowing	15	–	–	48,662	48,662	–	48,662
Debt securities in issue		–	–	5,811	5,811	–	5,811
Short positions		3,754	–	–	3,754	–	3,754
		3,754	–	64,619	68,373	–	68,373
Derivative financial instruments	14	69,790	1,743	–	71,533	–	71,533
Deposits by banks		–	–	–	–	30,255	30,255
Customer accounts		–	–	–	–	439,339	439,339
Repurchase agreements and other similar secured borrowing	15	–	–	–	–	1,903	1,903
Debt securities in issue		–	–	–	–	55,550	55,550
Other liabilities	21	–	–	–	–	47,228	47,228
Subordinated liabilities and other borrowed funds	24	–	–	–	–	16,654	16,654
Total at 31 December 2020		73,544	1,743	64,619	139,906	590,929	730,835

13. Financial instruments continued

Financial liabilities designated at fair value through profit or loss

	30.06.21 $million	31.12.20 $million
Carrying balance aggregate fair value	**67,414**	64,619
Amount contractually obliged to repay at maturity	**67,507**	64,405
Difference between aggregate fair value and contractually obliged to repay at maturity	**(93)**	214
Cumulative change in fair value accredited to credit risk difference	**(43)**	(43)

The net fair value loss on financial liabilities designated at fair value through profit or loss was $25 million for the half year (31 December 2020: net loss of $247 million). Further details of the Group's own credit adjustment (OCA) valuation technique is described later in this Note.

Interest rate benchmark reform

The Group previously disclosed its exposures to IBOR benchmarks as of 31 December 2020 (refer to page 336 of the 2020 Annual Report). In the Group's view the change in exposure since this date has not been significant, with USD LIBOR continuing to be the Group's largest exposure for both cash products and derivatives. After publication of the 2020 Annual Report it was confirmed by the Financial Conduct Authority that all USD LIBOR tenors, except 1 week and 2 month, will continue to be published until 30 June 2023. Efforts across the industry to amend contracts linked to USD LIBOR have yet to commence as focus has been directed to the remediation of non-USD LIBOR contracts, however USD remediation is expected to intensify during 2022.

In the first half of 2021 the Group has adhered to the end-Q1 and end-Q2 GBP LIBOR product cessation targets issued by the UK's Sterling Risk Free Rate Working Group (RFRWG), and the Group intends to cease offering any new LIBOR-referenced products at the end of this year.

In the second half of 2021 the Group will continue its efforts to actively transition financial contracts referencing non-USD LIBOR benchmarks – GBP, EUR, JPY and CHF LIBORs – which will no longer be published after 31 December 2021. Contracts referring to these benchmarks that are due to mature after 31 December 2021 are expected to be converted to an alternative risk-free rate via bilateral negotiation with clients or, where that is not possible, revised or amended by adding a clause agreeing to a robust contractual fallback in advance of the cessation of LIBOR.

The Group's global IBOR Transition Programme considers all aspects of the transition and how risks faced in respect of IBOR transition can be mitigated. These risks include:

- The changes made to contracts, including the choice of alternative benchmark rates and calculation methodology, which require all parties to the contract to agree to the changes. The risk of not reaching agreement in a timely manner is higher for contracts such as loans, where agreement is needed across all parties (particularly for syndicated loans) compared to contracts such as centrally cleared derivatives, where the central clearing houses are planning to convert all non-USD LIBOR contracts by the end of the year, or those subject to a multilateral amendment mechanism such as the ISDA Fallbacks Protocol, both of which will facilitate transition under standardised terms. This risk of not being able to transition in time may also occur where clients are not responsive or refuse to transition.
- Parties to contracts that require reform may intend to renegotiate terms other than the change in benchmark rate. This increases the risk of reaching a timely agreement, and also requires more diligent application of the accounting principles from the Phase 2 amendments and existing contract modification accounting.
- Clients may not be treated fairly throughout the transition, or may not be aware of the options available to them and the implications of decisions taken, which may result in unfair financial detriment.
- Legal risk in relation to the fall-back risks associated with the transition.
- Changes in processes, systems and vendor arrangements associated with the transition, specifically if they are not within appropriate tolerance levels.

The Group continues to raise awareness and understanding of the transition, both internally and with clients, and is actively participating in various working groups under the RFRWG, industry associations and business forums, focusing on different aspects of the IBOR transition. The Group also continues to monitor the developments at various IBOR-related forums to align significant industry decisions with the Group's transition plans.

13. Financial instruments continued

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 amongst other bases of corroboration. 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 performs a semi-annual review of the suitability of the market data used for price testing. Price verification uses independently sourced data that is deemed most representative of the market the instruments trade in. To determine the quality of the market data inputs, factors such as independence, relevance, reliability, availability of multiple data sources and methodology employed by the pricing provider are taken into consideration.

The Valuation and Benchmarks Committee (VBC) is the valuation governance forum consisting of representatives from Group Market Risk, Product Control, Valuation 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 134)
- 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 139)
- Where the estimated measurement of fair value is more judgemental in respect of Level 3 assets, these are valued based on models that use a significant degree of non-market-based unobservable inputs

Valuation techniques

Refer to the fair value hierarchy explanation – Level 1, 2 and 3 (page 135)

- **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

13. Financial instruments continued

- **Derivatives:** Derivative products are classified as Level 2 if the valuation of the product is based upon input parameters which are observable from independent and reliable market data sources. Derivative products are classified as Level 3 if there are significant valuation input parameters which are unobservable in the market, such as products where the performance is linked to more than one underlying variable. Examples are foreign exchange basket options, equity options based on the performance of two or more underlying indices and interest rate products with quanto payouts. In most cases these unobservable correlation parameters cannot be implied from the market, and methods such as historical analysis and comparison with historical levels or other benchmark data must be employed
- **Equity shares – private equity:** The majority of private equity unlisted investments are valued based on earning multiples – Price-to-Earnings (P/E) or enterprise value to earnings before income tax, depreciation and amortisation (EV/EBITDA) ratios – of comparable listed companies. The two primary inputs for the valuation of these investments are the actual or forecast earnings of the investee companies and earning multiples for the comparable listed companies. To ensure comparability between these unquoted investments and the comparable listed companies, appropriate adjustments are also applied (for example, liquidity and size) in the valuation. In circumstances where an investment does not have direct comparables or where the multiples for the comparable companies cannot be sourced from reliable external sources, alternative valuation techniques (for example, discounted cash flow models), which use predominantly unobservable inputs or Level 3 inputs, may be applied. Even though earning multiples for the comparable listed companies can be sourced from third-party sources (for example, Bloomberg), and those inputs can be deemed Level 2 inputs, all unlisted investments (excluding those where observable inputs are available, for example, Over-the-counter (OTC) prices) are classified as Level 3 on the basis that the valuation methods involve judgements ranging from determining comparable companies to discount rates where the discounted cash flow method is applied
- **Loans and advances:** These primarily include loans in the global syndications business which were not syndicated as of the balance sheet date and other financing transactions within Financial Markets and loans and advances including reverse repurchase agreements that do not have SPPI cash flows or are managed on a fair value basis. These loans are generally bilateral in nature and, where available, their valuation is based on observable clean sales transactions prices or market observable spreads. If observable credit spreads are not available, proxy spreads based on comparable loans with similar credit grade, sector and region, are used. Where observable credit spreads and market standard proxy methods are available, these loans are classified as Level 2. Where there are no recent transactions or comparable loans, these loans are classified as Level 3
- **Other debt securities:** These debt securities include convertible bonds, corporate bonds, credit and structured notes. Where quoted prices are available through pricing vendors, brokers or observable trading activities from liquid markets, these are classified as Level 2 and valued using such quotes. Where there are significant valuation inputs which are unobservable in the market, due to illiquid trading or the complexity of the product, these are classified as Level 3. The valuations of these debt securities are implied using input parameters such as bond spreads and credit spreads. These input parameters are determined with reference to the same issuer (if available) or proxied from comparable issuers or assets
- **Financial instruments held at amortised cost**

  The following sets out the Group's basis for establishing fair values of amortised cost financial instruments and their classification between Levels 1, 2 and 3. As certain categories of financial instruments are not actively traded, there is a significant level of management judgement involved in calculating the fair values:

  - **Cash and balances at central banks:** The fair value of cash and balances at central banks is their carrying amounts
  - **Debt securities in issue, subordinated liabilities and other borrowed funds:** The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current market related yield curve appropriate for the remaining term to maturity
  - **Deposits and borrowings:** The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using the prevailing market rates for debts with a similar Credit Risk and remaining maturity
  - **Investment securities:** For investment securities that do not have directly observable market values, the Group utilises a number of valuation techniques to determine fair value. Where available, securities are valued using input proxies from the same or closely related underlying (for example, bond spreads from the same or closely related issuer) or input proxies from a different underlying (for example, a similar bond but using spreads for a particular sector and rating). Certain instruments cannot be proxies as set out above, and in such cases the positions are valued using non-market observable inputs. This includes those instruments held at amortised cost and predominantly relates to asset-backed securities. The fair value for such instruments is usually proxies from internal assessments of the underlying cash flows

13. Financial instruments continued

- **Loans and advances to banks and customers:** For loans and advances to banks, the fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using the prevailing money market rates for debts with a similar Credit Risk and remaining maturity. The Group's loans and advances to customers' portfolio is well diversified by geography and industry. Approximately a quarter of the portfolio re-prices within one month, and approximately half re-prices within 12 months. Loans and advances are presented net of provisions for impairment. The fair value of loans and advances to customers with a residual maturity of less than one year generally approximates the carrying value. The estimated fair value of loans and advances with a residual maturity of more than one year represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates and Credit Risk. Expected cash flows are discounted at current market rates to determine fair value. The Group has a wide range of individual instruments within its loans and advances portfolio and as a result providing quantification of the key assumptions used to value such instruments is impractical
- **Other assets:** Other assets comprise primarily of cash collateral and trades pending settlement. The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are either short-term in nature or re-price to current market rates frequently

Fair value adjustments

When establishing the exit price of a financial instrument using a valuation technique, the Group considers adjustments to the modelled price which market participants would make when pricing that instrument. The main valuation adjustments (described further below) in determining fair value for financial assets and financial liabilities are as follows:

	01.01.21 $million	Movement during the period $million	30.06.21 $million	01.01.20 $million	Movement during the year $million	31.12.20 $million
Bid-offer valuation adjustment	103	6	109	79	24	103
Credit valuation adjustment	189	(31)	158	136	53	189
Debit valuation adjustment	(55)	2	(53)	(43)	(12)	(55)
Model valuation adjustment	5	(2)	3	7	(2)	5
Funding valuation adjustment	5	(6)	(1)	26	(21)	5
Other fair value adjustments	32	21	53	45	(13)	32
Total	**279**	**(10)**	**269**	250	29	279
Income deferrals						
Day 1 and other deferrals	138	4	142	103	35	138
Total	**138**	**4**	**142**	103	35	138

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

13. Financial instruments continued

- **Debit valuation adjustment (DVA):** The Group calculates DVA adjustments on its derivative liabilities to reflect changes in its own credit standing. The Group's DVA adjustments will increase if its credit standing worsens and conversely, decrease if its credit standing improves. For derivative liabilities, a DVA adjustment is determined by applying the Group's probability of default to the Group's negative expected exposure against the counterparty. The Group's probability of default and loss expected in the event of default is derived based on bond and CDS spreads associated with the Group's issuances and market standard recovery levels. The expected exposure is modelled based on the simulation of the underlying risk factors over the expected life of the deal. This simulation methodology incorporates the collateral posted by the Group and the effects of master netting agreements
- **Model valuation adjustment:** Valuation models may have pricing deficiencies or limitations that require a valuation adjustment. These pricing deficiencies or limitations arise due to the choice, implementation and calibration of the pricing model
- **Funding valuation adjustment (FVA):** The Group makes FVA adjustments against derivative products. FVA reflects an estimate of the adjustment to its fair value that a market participant would make to incorporate funding costs or benefits that could arise in relation to the exposure. FVA is calculated by determining the net expected exposure at a counterparty level and then applying a funding rate to those exposures that reflect the market cost of funding. The FVA for uncollateralised (including partially collateralised) derivatives incorporates the estimated present value of the market funding cost or benefit associated with funding these transactions
- **Other fair value adjustments:** The Group calculates the fair value on the interest rate callable products by calibrating to a set of market prices with differing maturity, expiry and strike of the trades
- **Day one and other deferrals:** In certain circumstances the initial fair value is based on a valuation technique which differs to the transaction price at the time of initial recognition. However, these gains can only be recognised when the valuation technique used is based primarily on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement. The difference is amortised to the income statement until the inputs become observable, or the transaction matures or is terminated. Other deferrals primarily represent adjustments taken to reflect the specific terms and conditions of certain derivative contracts which affect the termination value at the measurement date

In addition, the Group calculates own credit adjustment (OCA) on its issued debt designated at fair value, including structured notes, in order to reflect changes in its own credit standing. Own issued note liabilities are discounted utilising spreads as at the measurement date. These spreads consist of a market level of funding component and an idiosyncratic own credit component. Under IFRS 9 the change in the own credit component (OCA) is reported under other comprehensive income. The Group's OCA reserve will increase if its credit standing worsens and conversely, decrease if its credit standing improves. The Group's OCA reserve will reverse over time as its liabilities mature. The OCA at 30 June 2021 is a loss of $43 million, (31 December 2020: $43 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

13. Financial instruments continued

The following tables show the classification of financial instruments held at fair value into the valuation hierarchy:

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	–	4,825	–	4,825
Loans and advances to customers	66	9,105	1,214	10,385
Reverse repurchase agreements and other similar secured lending	–	63,029	1,322	64,351
Debt securities and other eligible bills	9,900	17,789	327	28,016
Of which:				
Government bonds and treasury bills	8,599	8,923	–	17,522
Issued by corporates other than financial institutions[1]	72	2,261	139	2,472
Issued by financial institutions[1]	1,229	6,605	188	8,022
Equity shares	2,036	340	216	2,592
Derivative financial instruments	928	51,280	46	52,254
Of which:				
Foreign exchange	89	40,150	7	40,246
Interest rate	23	7,732	35	7,790
Credit	–	2,073	1	2,074
Equity and stock index options	–	105	3	108
Commodity	816	1,220	–	2,036
Investment securities				
Debt securities and other eligible bills	57,495	66,369	41	123,905
Of which:				
Government bonds and treasury bills	46,118	25,383	41	71,542
Issued by corporates other than financial institutions[1]	1,563	3,914	–	5,477
Issued by financial institutions[1]	9,814	37,072	–	46,886
Equity shares	267	12	388	667
Other Assets	–	–	17	17
Total financial instruments at 30 June 2021	70,692	212,749	3,571	287,012
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	868	276	1,144
Customer accounts	–	8,335	208	8,543
Repurchase agreements and other similar secured borrowing	–	51,575	–	51,575
Debt securities in issue	–	5,549	603	6,152
Short positions	3,767	2,482	–	6,249
Derivative financial instruments	896	51,145	111	52,152
Of which:				
Foreign exchange	113	39,364	–	39,477
Interest rate	7	7,328	20	7,355
Credit	–	3,051	84	3,135
Equity and stock index options	–	86	7	93
Commodity	776	1,316	–	2,092
Total financial instruments at 30 June 2021	4,663	119,954	1,198	125,815

1 Includes covered bonds of $6,219 million, securities issued by Multilateral Development Banks/International Organisations of $11,905 million and State-owned agencies and development banks of $12,847 million

There were no significant changes to valuation or levelling approaches during the period ended 30 June 2021.

There were no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the period ended 30 June 2021.

13. Financial instruments continued

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	–	3,677	200	3,877
Loans and advances to customers	–	8,659	718	9,377
Reverse repurchase agreements and other similar secured lending	–	62,341	1,064	63,405
Debt securities and other eligible bills	9,453	15,889	258	25,600
Of which:				
Government bonds and treasury bills[2]	8,630	7,900	–	16,530
Issued by corporates other than financial institutions[1,2]	209	2,781	154	3,144
Issued by financial institutions[1,2]	614	5,208	104	5,926
Equity shares	3,657	592	279	4,528
Derivative financial instruments	473	68,986	8	69,467
Of which:				
Foreign exchange	111	54,533	3	54,647
Interest rate	36	11,788	2	11,826
Credit	–	1,700	2	1,702
Equity and stock index options	–	109	1	110
Commodity	326	856	–	1,182
Investment securities				
Debt securities and other eligible bills	68,280	65,061	40	133,381
Of which:				
Government bonds and treasury bills[2]	55,020	23,456	40	78,516
Issued by corporates other than financial institutions[1,2]	1,822	3,378	–	5,200
Issued by financial institutions[1,2]	11,438	38,227	–	49,665
Equity shares	68	5	381	454
Other Assets	–	–	–	–
Total financial instruments at 31 December 2020	81,932	225,209	2,948	310,089

Liabilities	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	1,103	146	1,249
Customer accounts	–	8,876	21	8,897
Repurchase agreements and other similar secured borrowing	–	48,662	–	48,662
Debt securities in issue	–	5,651	160	5,811
Short positions	2,573	1,181	–	3,754
Derivative financial instruments	413	71,001	119	71,533
Of which:				
Foreign exchange	115	56,968	2	57,085
Interest rate	11	10,387	26	10,424
Credit	–	2,904	86	2,990
Equity and stock index options	–	255	5	260
Commodity	287	487	–	774
Total financial instruments at 31 December 2020	2,986	136,474	446	139,906

1 Includes covered bonds of $7,216 million, securities issued by Multilateral Development Banks/International Organisations of $11,454 million (represented from $10,870 million), and State-owned agencies and development banks of $13,950 million (represented from $15,606 million)

2 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

13. 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.

		Fair value			
	Carrying value $million	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Assets					
Cash and balances at central banks[1]	72,985	–	72,985	–	72,985
Loans and advances to banks	45,188	–	44,995	–	44,995
of which – reverse repurchase agreements and other similar secured lending	620	–	628	–	628
Loans and advances to customers	298,003	–	42,241	255,105	297,346
of which – reverse repurchase agreements and other similar secured lending	4,584	–	3,352	1,234	4,586
Investment securities[2]	24,457	–	24,957	7	24,964
Other assets[1]	43,907	–	43,907	–	43,907
Assets held for sale	56	11	45	–	56
At 30 June 2021	484,596	11	229,130	255,112	484,253
Liabilities					
Deposits by banks	30,567	–	30,595	–	30,595
Customer accounts	441,147	–	439,276	–	439,276
Repurchase agreements and other similar secured borrowing	3,411	–	3,411	–	3,411
Debt securities in issue	59,696	27,713	32,455	–	60,168
Subordinated liabilities and other borrowed funds	16,957	17,237	524	–	17,761
Other liabilities[1]	58,737	–	58,737	–	58,737
At 30 June 2021	610,515	44,950	564,998	–	609,948

		Fair value			
	Carrying value $million	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Assets					
Cash and balances at central banks[1]	66,712	–	66,712	–	66,712
Loans and advances to banks	44,347	–	44,275	4	44,279
of which – reverse repurchase agreements and other similar secured lending	1,247	–	1,265	–	1,265
Loans and advances to customers	281,699	–	29,145	251,991	281,136
of which – reverse repurchase agreements and other similar secured lending	2,919	–	2,922	–	2,922
Investment securities[2]	19,480	–	20,349	7	20,356
Other assets[1]	40,978	–	40,978	–	40,978
Assets held for sale	83	–	25	58	83
At 31 December 2020	453,299	–	201,484	252,060	453,544
Liabilities					
Deposits by banks	30,255	–	30,288	–	30,288
Customer accounts	439,339	–	439,407	–	439,407
Repurchase agreements and other similar secured borrowing	1,903	–	1,903	–	1,903
Debt securities in issue	55,550	25,638	30,441	–	56,079
Subordinated liabilities and other borrowed funds	16,654	16,993	607	–	17,600
Other liabilities[1]	47,228	–	47,228	–	47,228
At 31 December 2020	590,929	42,631	549,874	–	592,505

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 $8,251 million at 30 June 2021 and $7,371 million at 31 December 2020

13. 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:

Instrument	Value as at 30 June 21 Assets $million	Value as at 30 June 21 Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to Banks	–	–	Discounted cash flows	Price/yield	N/A	N/A
Loans and advances to customers	1,214	–	Discounted cash flows	Price/yield	0.3% – 14.3%	3.4%
				Recovery rates	29.7% – 100%	89.8%
Reverse repurchase agreements and other similar secured lending	1,322	–	Discounted cash flows	Repo curve	0.9%-3.1%	2.5%
Debt securities, alternative tier one and other eligible securities	303	–	Discounted cash flows	Price/yield	2.6%-18.2%	6.6%
				Recovery rates	20.0%	20.0%
Government bonds and treasury bills	41	–	Discounted cash flows	Price/yield	2.3%-27.3%	5.3%
Asset backed securities	24	–	Discounted cash flows	Recovery rates	55.0%	55.0%
				Price/yield	N/A	N/A
Equity shares (includes private equity investments)	604	–	Comparable pricing/yield	EV/EBITDA multiples	8.1x – 14.9x	9.9x
				EV/Revenue multiples	10.3x – 40.0x	31.9x
				P/E multiples	17.9x	17.9x
				P/B multiples	0.6x – 2.4x	0.9x
				P/S multiples	N/A	N/A
				Liquidity discount	8.4% – 20.0%	18.4%
			Discounted cash flows	Discount rates	6.0% – 18.5%	9.0%
			Option pricing model	Equity value based on EV/ Revenue multiples	6.5x – 117.0x	19.7x
				Equity value based on volatility	50.0% – 60.0%	54.2%
Other Assets	17	–	Discounted cash flows	Discount rates	2.6%-5.1%	4.7%
Derivative financial instruments of which:						
Foreign exchange	7	–	Option pricing model	Foreign exchange option implied volatility	N/A	N/A
			Discounted cash flows	Foreign exchange curves	(0.3%)-17.8%	5.4%
Interest rate	35	20	Discounted cash flows	Interest rate curves	(20.0%)-15.9%	4.1%
			Option pricing model	Bond option implied volatility	21.0%-25.0%	24.0%
Credit	1	84	Discounted cash flows	Credit spreads	0.1%-2.6%	0.8%
				Price/yield	2.3% -14.3%	10.0%
Equity and stock index	3	7	Internal pricing model	Equity-Equity correlation	4.0% – 96.0%	65.0%
				Equity-FX correlation	(85.0%) – 72.0%	(50.0%)
Deposits by banks	–	276	Discounted cash flows	Credit spreads	1.0% – 3.0%	1.3%
Customer accounts	–	208	Discounted cash flows	Credit spreads	0.1% – 10.1%	2.2%
				Interest rate curves	6.8%-15.9%	12.6%
				Price/yield	8.9%-20.0%	18.0%
				Recovery rates	55.0%	55.0%
Debt securities in issue	–	603	Discounted cash flows	Credit spreads	1.0% -11.5%	1.4%
			Internal pricing model	Equity-Equity correlation	4.0% – 96.0%	65.0%
				Equity-FX correlation	(85.0%) – 72.0%	(50.0%)
Total	3,571	1,198				

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 30 June 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

13. Financial instruments continued

Instrument	Value as at 31 December 20 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	718	–	Discounted cash flows	Price/yield	0.9% – 11.5%	4.6%
				Recovery rates	34.2% – 100%	83.4%
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	171	–	Discounted cash flows	Price/yield	4.7%-11.5%	10.5%
Government bonds and treasury bills	40	–	Discounted cash flows	Price/yield	2.8% – 5.5%	3.6%
Asset backed securities	87	–	Discounted cash flows	Price/yield	8.3%-12.0%	11.7%
				Recovery rates	55.0%	55.0%
Equity shares (includes private equity investments)[3]	660	–	Comparable pricing/yield	EV/EBITDA multiples	3.3x – 14.2x	8.7x
				P/E multiples	N/A	N/A
				P/B multiples	0.5x – 2.0x	0.7x
				P/S multiples	N/A	N/A
				Liquidity discount	20.0%	20.0%
			Discounted cash flows	Discount rates	6.0% – 15.0%	9.1%
			Option pricing model	Equity value based on EV/ Revenue multiples	13.5x – 130.9x	114.9x
Derivative financial instruments of which:						
Foreign exchange	3	2	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%	10.0%
			Option pricing model	Bond option implied volatility	20.0%-30.0%	24.2%
Credit	2	86	Discounted cash flows	Credit spreads	2.0%	2.0%
				Price/yield	0.9%-12.0%	11.2%
Equity and stock index	1	5	Internal pricing model	Equity-Equity correlation	20.0% – 90.0%	49.0%
				Equity-FX correlation	(70.0)% – 80.0%	(59.0)%
Deposits by banks	–	146	Discounted cash flows	Credit spreads	1.0% – 1.4%	1.1%
Customer accounts	–	21	Discounted cash flows	Credit spreads	1.0%	1.0%
				Interest rate curves	(0.4)% – 7.7%	3.9%
				Recovery rates	55.0%	55.0%
Debt securities in issue	–	160	Discounted cash flows	Credit spreads	0.1% – 11.5%	2.3%
			Internal pricing model	Equity-Equity correlation	20.0% – 90.0%	49.0%
				Equity-FX correlation	(70.0)% – 80.0%	(59.0)%
Total	2,948	446				

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

13. Financial instruments continued

The following section describes the significant unobservable inputs identified in the valuation technique table:

- Comparable price/yield is a valuation methodology in which the price of a comparable instrument is used to estimate the fair value where there are no direct observable prices. Yield is the interest rate that is used to discount the future cash flows in a discounted cash flow model. Valuation using comparable instruments can be done by calculating an implied yield (or spread over a liquid benchmark) from the price of a comparable instrument, then adjusting that yield (or spread) to derive a value for the instrument. The adjustment should account for relevant differences in the financial instruments such as maturity and/or credit quality. Alternatively, a price-to-price basis can be assumed between the comparable instrument and the instrument being valued in order to establish the value of the instrument (for example, deriving a fair value for a junior unsecured bond from the price of a senior secured bond). An increase in price, in isolation, would result in a favourable movement in the fair value of the asset. An increase in yield, in isolation, would result in an unfavourable movement in the fair value of the asset
- Correlation is the measure of how movement in one variable influences the movement in another variable. An equity correlation is the correlation between two equity instruments while an interest rate correlation refers to the correlation between two swap rates
- Credit spread represents the additional yield that a market participant would demand for taking exposure to the Credit Risk of an instrument
- Discount rate refers to the rate of return used to convert expected cash flows into present value
- Equity-FX correlation is the correlation between equity instrument and foreign exchange instrument
- EV/EBITDA ratio multiples is the ratio of Enterprise Value (EV) to Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA). EV is the aggregate market capitalisation and debt minus the cash and cash equivalents. An increase in EV/EBITDA multiples in isolation, will result in a favourable movement in the fair value of the unlisted firm
- Foreign exchange curves is the term structure for forward rates and swap rates between currency pairs over a specified period
- Interest rate curves is the term structure of interest rates and measure of future interest rates at a particular point in time
- Liquidity discounts in the valuation of unlisted investments primarily applied to the valuation of unlisted firms' investments to reflect the fact that these stocks are not actively traded. An increase in liquidity discount will result in unfavourable movement in the fair value of the unlisted firm
- Price-Earnings (P/E) multiples is the ratio of the Market Capitalisation to the net income after tax. The multiples are determined from multiples of listed comparables, which are observable. An increase in P/E multiple will result in a favourable movement in the fair value of the unlisted firm
- Price-Book (P/B) multiple is the ratio of the market value of equity to the book value of equity. An increase in P/B multiple will result in a favourable movement in the fair value of the unlisted firm
- Price-Sales (P/S) multiple is the ratio of the market value of equity to sales. An increase in P/S multiple will result in a favourable movement in the fair value of the unlisted firm
- Recovery rates are the expectation of the rate of return resulting from the liquidation of a particular loan. As the probability of default increases for a given instrument, the valuation of that instrument will increasingly reflect its expected recovery level assuming default. An increase in the recovery rate, in isolation, would result in a favourable movement in the fair value of the loan
- Volatility represents an estimate of how much a particular instrument, parameter or index will change in value over time. Generally, the higher the volatility, the more expensive the option will be

13. Financial instruments continued

Level 3 movement tables – financial assets

The table below analyses movements in Level 3 financial assets carried at fair value.

	30.06.21									
	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	Other Assets $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	718	1,064	258	279	–	8	40	381	2,948
Total gains/(losses) recognised in income statement	1	(42)	–	–	(21)	–	–	–	–	(62)
Net trading income	1	(42)	–	–	(21)	–	–	–	–	(62)
Other operating income	–	–	–	–	–	–	–	–	–	–
Total (losses)/gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	–	1	42	43
Fair value through OCI reserve	–	–	–	–	–	–	–	1	42	43
Exchange difference	–	–	–	–	–	–	–	–	–	–
Purchases	–	495	2,454	184	8	–	43	–	28	3,212
Issues										
Sales	–	(316)	(2,196)	(115)	(44)	–	(2)	–	(3)	(2,676)
Settlements	(201)	(153)	–	–	–	–	(3)	(10)	–	(367)
Transfers out[1]	–	(46)	–	–	(6)	–	(4)	–	(60)	(116)
Transfers in[2]	–	558	–	–	–	17	4	10	–	589
At 30 June 2021	–	1,214	1,322	327	216	17	46	41	388	3,571
Total unrealised gains recognised in the income statement, within net trading income, relating to change in fair value of assets held at 30 June 2021	–	(1)	–	(7)	(2)	–	(3)	–	–	(13)

1 Transfers out includes loans and advances, derivative financial instruments, debt securities, alternative tier one and other eligible bills and equity shares where the valuation parameters became observable during the period and were transferred to Level 1 and Level 2

2 Transfers in primarily relate to loans and advances, debt securities, alternative tier one and other eligible bills, and equity shares where the valuation parameters become unobservable during the period

13. Financial instruments continued

The table below analyses movements in Level 3 financial assets carried at fair value.

	30.06.20									
	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	Other Assets $million	Derivative financial instruments	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Total $million
At 1 January 2020	365	443	–	200	228	–	17	38	257	1,548
Total gains/(losses) recognised in income statement	15	(15)	4	(20)	(24)	–	12	–	–	(28)
Net trading income	15	(15)	4	(20)	(24)	–	15	–	–	(23)
Other operating income	–	–	–	–	–	–	(3)	–	–	(5)
Total gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	–	(1)	27	26
Fair value through OCI reserve	–	–	–	–	–	–	–	–	27	27
Exchange difference	–	–	–	–	–	–	–	(1)	–	(1)
Purchases	272	46	750	114	–	–	84	37	82	1,385
Issues										
Sales	(164)	(30)	–	(76)	(4)	–	(65)	–	(1)	(340)
Settlements	(288)	(71)	–	(45)	–	–	(5)	–	–	(409)
Transfers out[1]	–	(73)	–	(16)	–	–	(5)	(5)	–	(99)
Transfers in[2]	–	238	–	63	62	–	8	–	–	371
At 30 June 2020	200	538	754	220	262	–	46	69	365	2,454
Total unrealised gains recognised in the income statement, within net trading income, relating to change in fair value of assets held at 30 June 2020	–	–	–	1	10	–	–	–	–	11

13. Financial instruments continued

	31.12.20									
	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	Other Assets $million	Derivative financial instruments $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Total $million
At 1 July 2020	200	538	754	220	262	–	46	69	365	2,454
Total gains/(losses) recognised in income statement	1	–	(3)	–	(30)	–	(18)	–	–	(50)
Net trading income	1	–	(3)	2	(30)	–	(21)	–	–	(53)
Other operating income	–	–	–	(2)	–	–	3	–	–	3
Total gains /(losses) recognised in other comprehensive income (OCI)	–	–	–	–	–	–	–	7	(5)	2
Fair value through OCI reserve	–	–	–	–	–	–	–	7	(8)	(1)
Exchange difference	–	–	–	–	–	–	–	–	3	3
Purchases	49	494	415	89	7	–	31	(1)	27	1,111
Sales	–	2	(102)	(161)	(33)	–	(5)	–	(3)	(302)
Settlements	(128)	(496)	–	(23)	–	–	(2)	–	–	(649)
Transfers out[1]	–	(101)	–	(21)	(1)	–	(36)	(35)	(3)	(197)
Transfers in[2]	78	281	–	154	74	–	(8)	–	–	579
At 31 December 2020	200	718	1,064	258	279	–	8	40	381	2,948
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	–	(6)	–	3	(13)	–	–	–	–	(16)

1 Transfers out includes loans and advances, derivative financial instruments, debt securities, alternative tier one and other eligible bills and equity shares 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 loans and advances, debt securities, alternative tier one and other eligible bills, and equity shares where the valuation parameters become unobservable during the year

13. Financial instruments continued

Level 3 movement tables – financial liabilities

	30.06.21				
	Deposits by banks $million	Customer accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Total $million
At 1 January 2021	146	21	160	119	446
Total losses/(gains) recognised in income statement – net trading income	8	11	–	(3)	16
Issues	268	228	734	100	1,330
Settlements	(146)	(52)	(361)	(107)	(666)
Transfers out[1]	–	–	(22)	(1)	(23)
Transfers in[2]	–	–	92	3	95
At 30 June 2021	276	208	603	111	1,198
Total unrealised (gains)/losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 30 June 2021	–	12	(7)	–	5

	30.06.20				
	Deposits by banks $million	Customer Accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Total $million
At 1 January 2020	56	40	410	57	563
Total (gains)/losses recognised in income statement – net trading income	(4)	(1)	(17)	2	(20)
Issues	70	45	329	94	538
Settlements	(53)	(64)	(247)	(50)	(414)
Transfers out[1]	–	–	(20)	(5)	(25)
Transfers in[2]	–	9	1	11	21
At 30 June 2020	69	29	456	109	663
Total unrealised losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 30 June 2020	–	2	–	–	2

	31.12.20				
	Deposits by banks $million	Customer Accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Total $million
At 1 July 2020	69	29	456	109	663
Total losses recognised in income statement – net trading income	11	–	7	10	28
Issues	66	45	228	107	446
Settlements	–	(52)	(328)	(68)	(448)
Transfers out[1]	–	–	(203)	(48)	(251)
Transfers in[2]	–	(1)	–	9	8
At 31 December 2020	146	21	160	119	446
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	–	1	2

1 Transfers out during the year primarily relate 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 relate to derivative financial instruments, customer accounts and debt securities in issue where the valuation parameters become unobservable during the year

13. Financial instruments continued

Sensitivities in respect of the fair values of Level 3 assets and liabilities

Sensitivity analysis is performed on products with significant unobservable inputs. The Group applies a 10 per cent increase or decrease on the values of these unobservable inputs, to generate a range of reasonably possible alternative valuations. The percentage shift is determined by statistical analysis performed on a set of reference prices based on the composition of the Group's Level 3 inventory as the measurement date. Favourable and unfavourable changes (which show the balance adjusted for input change) are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable parameters. The Level 3 sensitivity analysis assumes a one-way market move and does not consider offsets for hedges.

	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	**1,214**	**1,231**	**1,167**	**–**	**–**	**–**
Reverse Repurchase agreements and other similar secured lending	**1,322**	**1,340**	**1,305**	**–**	**–**	**–**
Asset backed securities	**24**	**26**	**21**	**–**	**–**	**–**
Debt securities, alternative tier one and other eligible bills	**303**	**314**	**292**	**41**	**41**	**41**
Equity shares	**216**	**237**	**195**	**388**	**425**	**352**
Other Assets	**17**	**18**	**16**	**–**	**–**	**–**
Derivative financial instruments	**(65)**	**(50)**	**(78)**	**–**	**–**	**–**
Customer accounts	**(208)**	**(205)**	**(212)**	**–**	**–**	**–**
Deposits by banks	**(276)**	**(276)**	**(276)**	**–**	**–**	**–**
Debt securities in issue	**(603)**	**(553)**	**(653)**	**–**	**–**	**–**
At 30 June 2021	**1,944**	**2,082**	**1,777**	**429**	**466**	**393**
Financial instruments held at fair value						
Loans and advances	918	947	867	–	–	–
Reverse Repurchase agreements and other similar secured lending	1,064	1,089	1,040	–	–	–
Asset backed securities	87	94	80	–	–	–
Debt securities, alternative tier one and other eligible bills	171	183	159	40	40	39
Equity shares	279	307	251	381	418	345
Other Assets	–	–	–	–	–	–
Derivative financial instruments	(111)	(98)	(126)	–	–	–
Customer accounts	(21)	(18)	(24)	–	–	–
Deposits by banks	(146)	(146)	(146)	–	–	–
Debt securities in issue	(160)	(154)	(167)	–	–	–
At 31 December 2020	2,081	2,204	1,934	421	458	384

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	30.06.21 $million	31.12.20 $million
Held at fair value through profit or loss	Possible increase	**138**	123
	Possible decrease	**(167)**	(147)
Fair value through other comprehensive income	Possible increase	**37**	37
	Possible decrease	**(36)**	(37)

14. Derivative financial instruments

The tables below analyse the notional principal amounts and the positive and negative fair values of derivative financial instruments. Notional principal amounts are the amounts of principal underlying the contract at the reporting date.

Derivatives

Derivatives	30.06.21 Notional principal amounts $million	30.06.21 Assets $million	30.06.21 Liabilities $million	31.12.20 Notional principal amounts $million	31.12.20 Assets $million	31.12.20 Liabilities $million
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	3,560,573	27,488	26,297	3,018,866	37,505	39,181
Currency swaps and options	1,739,143	12,758	13,180	1,423,520	17,142	17,904
	5,299,716	40,246	39,477	4,442,386	54,647	57,085
Interest rate derivative contracts:						
Swaps	3,014,577	33,402	32,527	3,165,532	52,755	50,982
Forward rate agreements and options	382,900	1,308	1,787	606,357	1,350	1,770
Exchange traded futures and options	267,281	177	138	261,372	233	184
	3,664,758	34,887	34,452	4,033,261	54,338	52,936
Credit derivative contracts	168,233	2,074	3,135	140,437	1,702	2,990
Equity and stock index options	5,244	108	93	6,018	110	260
Commodity derivative contracts	124,727	2,036	2,092	67,664	1,182	774
Gross total derivatives	9,262,678	79,351	79,249	8,689,766	111,979	114,045
Offset	–	(27,097)	(27,097)	–	(42,512)	(42,512)
Net Total derivatives	9,262,678	52,254	52,152	8,689,766	69,467	71,533

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 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 86).

The Derivatives and Hedging sections of the Risk review and Capital review (page 73) explain the Group's risk management of derivative contracts and application of hedging.

Derivatives held for hedging

Included in the table above are derivatives held for hedging purposes as follows:

	30.06.21 Notional principal amounts $million	30.06.21 Assets $million	30.06.21 Liabilities $million	31.12.20 Notional principal amounts $million	31.12.20 Assets $million	31.12.20 Liabilities $million
Derivatives designated as fair value hedges:						
Interest rate swaps	67,749	985	427	70,846	1,500	712
Currency swaps	2,412	17	47	4,136	25	179
	70,161	1,002	474	74,982	1,525	891
Derivatives designated as cash flow hedges:						
Interest rate swaps	6,731	63	93	9,347	83	129
Forward foreign exchange contracts	–	–	–	164	21	–
Currency swaps	10,490	105	104	9,935	12	340
	17,221	168	197	19,446	116	469
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	5,315	85	19	5,376	–	383
Total derivatives held for hedging	92,697	1,255	690	99,804	1,641	1,743

14. Derivative financial instruments continued

Interest rate benchmark reform

As at 30 June 2021, the following populations of derivative instruments designated in fair value or cash flow hedge accounting relationships were linked to IBOR reference rates:

	Fair value hedges		Cash flow hedges			
	Notional designated up to 31 December 2021 $million	Notional designated beyond 31 December 2021 $million	Notional designated up to 31 December 2021 $million	Notional designated beyond 31 December 2021 $million	Total $million	Weighted average exposure Years
Interest rate swaps						
USD LIBOR	5,332	42,641	–	2,638	50,611	3.6
GBP LIBOR	271	1,474	–	–	1,745	12.2
JPY LIBOR	406	1,689	–	–	2,095	2.6
SGD SOR	–	–	–	–	–	–
	6,009	45,804	–	2,638	54,451	3.8
Cross currency swaps						
USD LIBOR vs Fixed rate foreign currency	55	2,357	2,170	1,681	6,263	1.0
Total notional of hedging instruments in scope of IFRS amendments as at 30 June 2021	6,064	48,161	2,170	4,319	60,714	3.5

	Fair value hedges		Cash flow hedges			
	Notional designated up to 31 December 2021 $million	Notional designated beyond 31 December 2021 $million	Notional designated up to 31 December 2021 $million	Notional designated beyond 31 December 2021 $million	Total $million	Weighted average exposure Years
Interest rate swaps						
USD LIBOR	9,454	36,024	345	2,733	48,556	3.2
GBP LIBOR	268	1,720	89	–	2,077	10.9
JPY LIBOR	552	1,785	–	–	2,337	3.0
SGD SOR	360	123	–	–	483	1.2
	10,634	39,652	434	2,733	53,453	3.5
Cross currency swaps						
USD LIBOR vs Fixed rate foreign currency	2,221	1,915	–	–	4,136	1.3
Total notional of hedging instruments in scope of IFRS amendments as at 31 December 2020	12,855	41,567	434	2,733	57,589	3.4

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.

15. Reverse repurchase and repurchase agreements including other similar lending and borrowing

Reverse repurchase agreements and other similar secured lending

	30.06.21 $million	31.12.20 $million
Banks	18,183	19,452
Customers	51,372	48,119
	69,555	67,571
Of which:		
Fair value through profit or loss	64,351	63,405
Banks	17,563	18,205
Customers	46,788	45,200
Held at amortised cost	5,204	4,166
Banks	620	1,247
Customers	4,584	2,919

15. Reverse repurchase and repurchase agreements including other similar lending and borrowing continued

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:

	30.06.21 $million	31.12.20 $million
Securities and collateral received (at fair value)	104,492	99,676
Securities and collateral which can be repledged or sold (at fair value)	103,747	99,238
Amounts repledged/transferred to others for financing activities, to satisfy liabilities under sale and repurchase agreements (at fair value)	48,343	46,209

Repurchase agreements and other similar secured borrowing

	30.06.21 $million	31.12.20 $million
Banks	13,084	6,647
Customers	41,902	43,918
	54,986	50,565
Of which:		
Fair value through profit or loss	51,575	48,662
Banks	11,144	6,107
Customers	40,431	42,555
Held at amortised cost	3,411	1,903
Banks	1,940	540
Customers	1,471	1,363

The tables below set out the financial assets provided as collateral for repurchase and other secured borrowing transactions:

	30.06.21				
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	2,834	3,681	939	–	7,454
Off-balance sheet					
Repledged collateral received	–	–	–	48,343	48,343
At 30 June 2021	2,834	3,681	939	48,343	55,797

	31.12.20				
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	2,664	2,108	355	–	5,127
Off-balance sheet					
Repledged collateral received	–	–	–	46,209	46,209
At 31 December 2020	2,664	2,108	355	46,209	51,336

16. Goodwill and intangible assets

	30.06.21				31.12.20			
	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million
Cost								
At 1 January	2,617	473	3,682	6,772	3,079	461	3,239	6,779
Exchange translation differences	(3)	(3)	(53)	(59)	27	16	60	103
Additions	–	–	416	416	–	–	790	790
Disposals	–	–	–	–	–	–	(4)	(4)
Impairment	–	–	–	–	(489)	–	–	(489)
Amounts written off	–	(1)	(59)	(60)	–	(4)	(403)	(407)
Classified as held for sale	–	–	–	–	–	–	–	–
At 30 June/31 December	2,614	469	3,986	7,069	2,617	473	3,682	6,772
Provision for amortisation								
At 1 January	–	451	1,258	1,709	–	431	1,058	1,489
Exchange translation differences	–	(7)	(15)	(22)	–	15	21	36
Amortisation	–	3	233	236	–	5	515	520
Impairment charge	–	–	–	–	–	–	17	17
Disposals	–	–	–	–	–	–	(4)	(4)
Amounts written off	–	–	(41)	(41)	–	–	(349)	(349)
At 30 June/31 December	–	447	1,435	1,882	–	451	1,258	1,709
Net book value	2,614	22	2,551	5,187	2,617	22	2,424	5,063

At 30 June 2021, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to $3,317 million (31 December 2020: $3,317 million), of which $nil was recognised in 2021 (31 December 2020: $489 million).

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 $35 million for the period and is anticipated to record a further decrease of approximately $35 million in the second half of the year, compared to the previous estimate.

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 2020, the Group had two global CGUs representing Corporate & Institutional Banking (CIB) and Private Banking (PB), along with 10 individual country CGUs representing Retail Banking (RB) and Commercial Banking (CB) 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 ($478 million), 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.

At 30 June 2021, the Group performed a review of the goodwill that has been assigned to the Group's CGUs for indicators of impairment, considering whether there were any reduced expectations for future cashflows and/or fluctuations in the discount rate or the assumptions. Due to the ongoing global pandemic and reconstitution of CGUs it was decided to perform a full impairment analysis. The results of this review indicated that at 30 June 2021 there are no goodwill impairments to be recognised in the first half of 2021.

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.

Cash generating unit	30.06.21[1] Goodwill $million	Discount rates per cent	Long-term forecast GDP growth rates per cent	31.12.20[1] Goodwill $million	Discount rates per cent	Long-term forecast GDP growth rates per cent
Country CGUs						
Asia	1,076			1,078		
Hong Kong	359	9.3	2.5	359	9.7	2.7
Taiwan	361	8.6	2.0	360	8.6	2.1
Singapore	342	9.9	2.4	345	10.3	3.0
Bangladesh	14	13.2	7.3	14	13.4	7.2
Africa & Middle East	96			96		
Pakistan	47	15.6	6.0	47	15.0	5.0
Bahrain	49	13.5	3.0	49	14.2	2.8
Global CGUs	1,442			1,443		
Global Private Banking	84	10.0	2.4	84	10.0	3.6
Corporate, Commercial & Institutional Banking	1,358	10.0	3.1	1,359	10.0	3.0
	2,614			2,617		

1 Following the Group's change in organisational structure, there has been an integration of segments (CIB and CB to CCIB; PB and RB to CPBB) and regions (Greater China & North Asia and ASEAN & South Asia to Asia). Prior periods have been restated

17. Property, plant and equipment

30.06.21	Premises $million	Equipment $million	Operating lease assets $million	Leased premises assets $million	Leased equipment assets $million	Total $million
Cost or valuation						
At 1 January	2,048	874	5,233	1,577	31	9,763
Exchange translation differences	(26)	(6)	1	(10)	(1)	(42)
Additions[1]	32	43	110	264	1	450
Disposals and fully depreciated assets written off[2]	(35)	(73)	(634)	(24)	–	(766)
Transfers to assets held for sale	(1)	–	(179)	–	–	(180)
As at 30 June	2,018	838	4,531	1,807	31	9,225
Depreciation						
Accumulated at 1 January	770	594	1,336	536	12	3,248
Exchange translation differences	(6)	(3)	1	(4)	–	(12)
Charge for the year	36	60	108	152	4	360
Impairment charge	–	–	33	14	–	47
Attributable to assets sold, transferred or written off[2]	(10)	(70)	(352)	(13)	–	(445)
Transfers to assets held for sale	–	–	(26)	–	–	(26)
Accumulated at 30 June	790	581	1,100	685	16	3,172
Net book amount at 30 June	1,228	257	3,431	1,122	15	6,053

1 Refer to the cash flow statement under cash flows from investing activities section for the purchase of property, plant and equipment during the period of $450 million on page 112

2 Disposals for property, plant and equipment during the period of $355 million in the cash flow statement would include the gains and losses incurred as part of other operating income (Note 6) on disposal of assets during the period and the net book value disposed

17. Property, plant and equipment continued

	31.12.20					
	Premises $million	Equipment $million	Operating lease assets $million	Leased premises assets $million	Leased equipment assets $million	Total $million
Cost or valuation						
At 1 January	2,058	800	4,461	1,493	23	8,835
Exchange translation differences	40	6	(2)	11	4	59
Additions	36	121	952	155	6	1,270
Disposals and fully depreciated assets written off	(83)	(53)	(178)	(82)	(2)	(398)
Transfers to assets held for sale	(3)	–	–	–	–	(3)
As at 31 December	2,048	874	5,233	1,577	31	9,763
Depreciation						
Accumulated at 1 January	737	518	1,067	286	7	2,615
Exchange translation differences	13	6	–	–	–	19
Charge for the year	73	122	229	300	7	731
Impairment charge	–	–	132	–	–	132
Attributable to assets sold, transferred or written off	(52)	(52)	(92)	(50)	(2)	(248)
Transfers to assets held for sale	(1)	–	–	–	–	(1)
Accumulated at 31 December	770	594	1,336	536	12	3,248
Net book amount at 31 December	1,278	280	3,897	1,041	19	6,515

Operating lease assets

The operating lease assets subsection of property, plant and equipment is the Group's aircraft leasing business, consisting of 107 commercial aircraft, of which 104 are narrow-body and 3 wide-body leased to clients under operating leases. The leases are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to the ownership of the assets, and rental income from operating lease assets is disclosed in Note 6. At 30 June 2021, these assets had a net book value of $3,431 million (31 December 2020: $3,897 million).

Under these leases the lessee is responsible for the maintenance and servicing of the aircraft during the lease term while the Group receives rental income and assumes the risks of the residual value of the aircraft at the end of the lease. Initial lease terms range in length up to 12 years, while the average remaining lease term at 30 June 2021 is approximately six years. By varying the lease terms the effects of changes in cyclical market conditions at the time aircraft become eligible for re-lease are mitigated. The Group will look at entering into a lease extension with existing lessees well in advance of lease expiry in order to minimise the risk of aircraft downtime and aircraft transition costs. Aircraft may also be sold from time to time to manage the composition and average age of the fleet.

A series of stress sensitivities conducted on the narrow-body portfolio highlight the two biggest risks remain either an increase in the discount rate, as the majority of the leased portfolio is now valued on a VIU basis, or a substantial number of airline clients defaulting. A sensitivity test was performed on the narrow-body portfolio assuming a discount rate increase of 100 basis points which resulted in a possible increase in impairment of $13 million.

A further sensitivity test considered that the lessees with lower credit ratings defaulted on their current leases. This scenario would result in a possible increase in impairment of $65 million.

During 2020 the Group offered payment concessions to customers as a result of the COVID-19 pandemic, allowing them to defer lease payments for between three and nine months. As of 30 June 2021 the outstanding amount of deferred lease payments was $13 million. For customers who have not defaulted on their obligations, deferrals do not affect income recognition provided the total lease rentals and lease expiry date are unchanged. For customers who have defaulted, any income not covered by collateral is provided against. The provision is reversed on receipt of the deferred payment.

18. Other assets

	30.06.21 $million	31.12.20 $million
Financial assets held at amortised cost (Note 13):		
Hong Kong SAR Government certificates of indebtedness (Note 21)[1]	7,272	7,295
Cash collateral	9,832	11,757
Acceptances and endorsements[2]	6,383	5,868
Unsettled trades and other financial assets	20,420	16,058
	43,907	40,978
Non-financial assets:		
Commodities[3]	6,346	7,239
Other assets	408	471
	50,661	48,688

1 The Hong Kong SAR Government certificates of indebtedness are subordinated to the claims of other parties in respect of bank notes issued

2 Trade finance whereby the Group offers a guarantee of payment between trade counterparties for a fee

3 Commodities are carried at fair value and classified as Level 2

19. Investment in associates and joint ventures

Share of profit from investment in associates and joint ventures comprises:

	30.06.21 $million	31.12.20 $million
Loss from investment in joint ventures	(2)	(3)
Profit from investment in associates	143	154
Total	141	151

	30.06.21 $million	31.12.20 $million
As at 1 January	2,162	1,908
Exchange translation difference	19	123
Additions	4	52
Share of profits	141	151
Dividend received	(38)	–
Disposals	–	(35)
Share of FVOCI and Other reserves	5	(37)
As at 31 December	2,293	2,162

The Group's principal associate is:

Associate	Nature of activities	Main areas of operation	Group interest in ordinary share capital %
China Bohai Bank	Banking	China	16.26

The Group's investment in China Bohai Bank is less than 20 per cent but it is considered to be an associate because of the significant influence the Group is able to exercise over the management and financial and operating policies. This influence is through board representation and the provision of technical expertise to Bohai. The Group applies the equity method of accounting for investments in associates.

The Group recognises income on a three-month lag basis, following Bohai's quarterly results publications.

19. Investment in associates and joint ventures continued

Impairment testing

At 30 June 2021, the listed equity value of Bohai is below the carrying amount of the investment in associate. As a result, the Group has performed an impairment test on the carrying amount, which confirmed that there was no impairment at 30 June 2021 as the recoverable amount as determined by a value-in-use ('VIU') calculation was higher than the carrying value.

	VIU $million	Carrying Amount $million	Fair Value $million
China Bohai Bank	2,817	2,143	1,005

Basis of recoverable amount

The impairment test was performed by comparing the recoverable amount of Bohai, determined by a VIU calculation, with its carrying amount. The VIU calculation uses three primary inputs, being;

- discounted short to medium term cash flow projections based on the Group management's best estimates of future cash flows available to ordinary shareholders;
- a discount rate representing the risk-free rate and company risk premiums, and;
- a long term sustainable growth rate which is used to extrapolate in perpetuity those expected short to medium term earnings to derive a terminal value.

From the estimated cash flows a capital maintenance haircut is taken in order for Bohai to meet its target regulatory capital requirements over the forecast period. This haircut takes into account movements in risk weighted assets and the total capital required, including retained earnings to meet the target capital ratios.

The key assumptions used in the VIU calculation:

	%
Discount rate	11.00
Long term growth rate	5.00
Capital requirement adequacy ratio	7.50

	Base case				Sensitivities 2021					
					GDP		Discount Rates		Cash flows	
					+1%	-1%	+1%	-1%	+10%	-10%
Carrying Amount $million	VIU $million	Headroom $million	Discount Rate	GDP	Headroom $million	Headroom $million	Headroom $million	Headroom $million	Headroom $million	Headroom $million
2,143	2,817	674	11%	5.00%	809	575	249	1,271	1,178	170

The following table sets out the summarised financial statements of China Bohai Bank prior to the Group's share of the associates being applied:

	31.03.21 $million	30.09.20[1] $million
Total assets	225,292	202,537
Total liabilities	208,973	187,024
Other equity instruments	3,046	3,053
Operating income	1,234	3,474
Net profit	543	950
Other comprehensive income	(15)	(121)

1 Income statement items are for 9 months as disclosed in the year end accounts

20. Assets held for sale and associated liabilities

Assets held for sale

	30.06.21 $million	31.12.20 $million
Financial assets held at fair value through profit or loss	1	5
Loans and advances to customers	–	5
Equity shares	1	–
Financial assets held at amortised cost	56	83
Loans and advances to customers	56	83
Property, plant and equipment	372	358
Aircraft	154	–
Vessels	214	354
Others	4	4
	429	446

As at 30 June 2021 there were no liabilities included in disposal groups held for sale (31 December 2020: nil).

21. Other liabilities

	30.06.21 $million	31.12.20 $million
Financial liabilities held at amortised cost (Note 13)		
Notes in circulation[1]	7,272	7,295
Acceptances and endorsements[2]	6,383	5,868
Cash collateral	8,306	10,136
Property leases	1,236	1,127
Equipment leases	15	20
Unsettled trades and other financial liabilities	35,525	22,782
	58,737	47,228
Non-financial liabilities		
Cash-settled share-based payments	46	41
Other liabilities	656	635
	59,439	47,904

1 Hong Kong currency notes in circulation of $7,272 million (31 December 2020: $7,295 million) that are secured by the Government of Hong Kong SAR certificates of indebtedness of the same amount included in Other assets (Note 18)

2 Trade finance whereby the Group offers a guarantee of payment between trade counterparties for a fee

22. Contingent liabilities and commitments

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.

	30.06.21 $million	31.12.20 $million
Financial guarantees and trade credits		
Financial guarantees, trade credits and irrevocable letters of credit	**54,676**	53,832
	54,676	53,832
Commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend		
One year and over	**63,108**	68,848
Less than one year	**26,685**	24,500
Unconditionally cancellable	**60,628**	60,055
	150,421	153,403
Capital Commitments		
Contracted capital expenditure approved by the directors but not provided for in these accounts[1]	**114**	135

1 Of which the Group has commitments totalling $96 million to purchase aircraft for delivery in 2022 (31 December 2020: $110 million). Pre-delivery payments of $26m (2020: $ nil) have been made in respect of these commitments

As set out in Note 23, 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.

23. Legal and regulatory matters

The Group receives legal claims against it in a number of jurisdictions and is subject to regulatory and enforcement investigations and proceedings from time to time. Apart from the matters described below, the Group currently considers none of the ongoing claims, investigations or proceedings to be material. However, in light of the uncertainties involved in such matters there can be no assurance that the outcome of a particular matter or matters currently not considered to be material may not ultimately be material to the Group's results in a particular reporting period depending on, among other things, the amount of the loss resulting from the matter(s) and the results otherwise reported for such period.

The Group is a defendant in a number of lawsuits that have been filed since 2014 in the United States District Courts for the Southern and Eastern Districts of New York, against a number of banks on behalf of plaintiffs who are, or are relatives of, victims of various terrorist attacks in Iraq. The plaintiffs allege that the defendant banks aided and abetted the unlawful conduct of US sanctioned parties in breach of the US Anti-Terrorism Act. One lawsuit has been withdrawn by the plaintiffs and the courts have ruled in favour of the banks' motions to dismiss in five of the lawsuits. Following those rulings, in one lawsuit the plaintiffs appealed against the dismissal and a ruling on their appeal is awaited. Appeals are also expected by the plaintiffs in three of the other dismissed lawsuits. The remaining lawsuits are still at an early procedural stage and have been stayed pending the outcomes of the appeals in the dismissed cases.

In January 2020, a shareholder derivative complaint was filed in the New York State Court against 45 current and former directors and senior officers of the Group. It is alleged that the individuals breached their duties to the Group and caused a waste of corporate assets by permitting the conduct that gave rise to the costs and losses to the Group related to legacy conduct and control issues. Following Standard Chartered Bank's filing of a motion to dismiss the complaint, the plaintiffs filed an amended complaint that removed Standard Chartered Bank and 7 individuals from the case, with the result that the defendants now comprise 38 individual defendants and Standard Chartered PLC and Standard Chartered Holdings Limited, both as "nominal defendants". The case remains at an early procedural stage. On 27 May 2021, Standard Chartered PLC filed a motion to dismiss the amended complaint against all defendants.

In October 2020, a claim was filed in the English High Court by 249 shareholders against Standard Chartered PLC alleging untrue and/or misleading statements were made, and/or there were omissions in information published by Standard Chartered PLC in its rights issue prospectuses of 2008, 2010 and 2015 and/or public statements regarding the Group's historic sanctions, anti-money laundering and financial crime compliance issues. The case is at an early stage.

Based on the facts currently known, it is not possible for the Group to predict the outcome of these lawsuits.

24. Subordinated liabilities and other borrowed funds

	30.06.21				
	USD $million	GBP $million	EUR $million	Others $million	Total $million
Fixed rate subordinated debt	11,686	1,204	3,890	–	16,780
Floating rate subordinated debt	161	16	–	–	177
Total	**11,847**	**1,220**	**3,890**	**–**	**16,957**

	31.12.20				
	USD $million	GBP $million	EUR $million	Others $million	Total $million
Fixed rate subordinated debt	11,875	1,254	2,818	530	16,477
Floating rate subordinated debt	161	16	–	–	177
Total	12,036	1,270	2,818	530	16,654

Redemptions and repurchases during the year

On 26 January 2021, Standard Chartered PLC exercised its right to redeem SGD 700 million 4.4 per cent subordinated notes 2026 (callable 2021).

Issuance during the year

On 23 March 2021, Standard Chartered PLC issued EUR 1 billion 1.2 per cent Fixed Rate Reset Dated Subordinated Notes due 2031 (callable 2026).

25. Share capital, other equity instruments and reserves

Group and Company

	Number of ordinary shares millions	Ordinary share capital[1] $million	Ordinary Share premium $million	Preference Share premium[2] $million	Total share capital and share premium $million	Other equity instruments $million
At 1 January 2020	3,196	1,598	3,986	1,494	7,078	5,513
Cancellation of shares including share buy-back	(40)	(20)	–	–	(20)	–
Additional Tier 1 equity issuance	–	–	–	–	–	992
Additional Tier 1 equity redemption	–	–	–	–	–	(1,987)
At 30 June 2020	3,156	1,578	3,986	1,494	7,058	4,518
Cancellation of shares including share buy-back	–	–	–	–	–	–
Additional Tier 1 equity issuance	–	–	–	–	–	–
At 31 December 2020	**3,156**	**1,578**	**3,986**	**1,494**	**7,058**	**4,518**
Cancellation of shares including share buy-back	**(37)**	**(19)**	**–**	**–**	**(19)**	**–**
Additional Tier 1 equity issuance	**–**	**–**	**–**	**–**	**–**	**1,239**
Other Movements	**–**	**–**	**3**	**–**	**3**	**–**
At 30 June 2021	**3,119**	**1,559**	**3,989**	**1,494**	**7,042**	**5,757**

1 Issued and fully paid ordinary shares of 50 cents each

2 Includes preference share capital of $75,000

25. Share capital, other equity instruments and reserves continued

Share buy-back

On 25 February 2021, the Group announced the buy-back programme for a share buy-back of its ordinary shares of $0.50 each. Nominal value of share purchases was $19 million, and the total consideration paid was $255 million (including $1 million of fees). The total number of shares purchased was 37,148,399 representing 1.18 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account. The shares were purchased by Standard Chartered PLC on various exchanges not including the Hong Kong Stock Exchange.

	Number of ordinary shares	Average price paid per share £	Aggregate price paid £	Aggregate price paid $
March 2021	37,148,399	4.92011	182,774,269	253,593,477

Ordinary share capital

In accordance with the Companies Act 2006 the Company does not have authorised share capital. The nominal value of each ordinary share is 50 cents.

During the period nil shares were issued under employee share plans.

Preference share capital

At 30 June 2021, the Company has 15,000 $5 non-cumulative redeemable preference shares in issue, with 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 and are classified in equity.

The available profits of the Company are distributed to the holders of the issued preference shares in priority to payments made to holders of the ordinary shares and in priority to, or pari passu with, any payments to the holders of any other class of shares in issue. On a winding up, the assets of the Company are applied to the holders of the preference shares in priority to any payment to the ordinary shareholders and in priority to, or pari passu with, the holders of any other shares in issue, for an amount equal to any dividends payable (on approval of the board) and the nominal value of the shares together with any premium as determined by the Board. The redeemable preference shares are redeemable at the paid up amount (which includes premium) at the option of the Company in accordance with the terms of the shares. The holders of the preference shares are not entitled to attend or vote at any general meeting except where any relevant dividend due is not paid in full or where a resolution is proposed varying the rights of the preference shares.

Other equity instruments

On 18 August 2016, Standard Chartered PLC issued $2,000 million Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities as AT1 securities, raising $1,982 million after issue costs. On 18 January 2017, Standard Chartered PLC issued $1,000 million Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities as AT1 securities, raising $992 million after issue costs. On 3 July 2019, Standard Chartered PLC issued SGD 750 million Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities as AT1 securities, raising $ 552 million after issue costs. On 26 Jun 2020, Standard Chartered PLC issued $1,000 million Fixed Rate Resetting Perpetual Subordinated AT1 securities, raising $992 million after issue costs. On 14 January 2021 Standard Chartered PLC issued $1,250 million Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities as AT1 securities, raising $1,239 million after issue costs. All issuances are made for general business purposes and to increase the regulatory capital base of the Group.

The principal terms of the AT1 securities are described below:

- The securities are perpetual and redeemable, at the option of Standard Chartered PLC in whole but not in part, on the first interest reset date and each date falling five years after the first reset 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 Standard Chartered PLC giving notice to the relevant regulator and the regulator granting permission to redeem
- The interest rate in respect of the securities issued on 18 August 2016 for the period from (and including) the issue date to (but excluding) 2 April 2022 is a fixed rate of 7.50 per cent per annum. The first reset date for the interest rate is 2 April 2022 and each date falling five years, or an integral multiple of five years, after the first reset date
- The interest rate in respect of the securities issued on 18 January 2017 for the period from (and including) the issue date to (but excluding) 2 April 2023 is a fixed rate of 7.75 per cent per annum. The first reset date for the interest rate is 2 April 2023 and each date falling five years, or an integral multiple of five years, after the first reset date
- The interest rate in respect of the securities issued on 3 July 2019 for the period from (and including) the issue date to (but excluding) 3 October 2024 is a fixed rate of 5.375 per cent per annum. The first reset date for the interest rate is 3 October 2024 and each date falling five years, or an integral multiple of five years, after the first reset date
- The interest rate in respect of the securities issued on 26 June 2020 for the period from (and including) the issue date to (but excluding) 26 January 2026 is a fixed rate of 6 per cent per annum. The first reset date for the interest rate is 26 January 2026 and each date falling five years, or an integral multiple of five years, after the first reset date

25. Share capital, other equity instruments and reserves continued

- The interest rate in respect of the securities issued on 14 January 2021 for the period from (and including) the issue date to (but excluding) 14 July 2031 is a fixed rate of 4.75 per cent per annum. The first reset date for the interest rate is 14 July 2031 and each date falling five years, or an integral multiple of five years, after the first reset date.
- The interest on the $2,000 million securities issued in 2016 and the $1,000 million securities issued in 2017 will be payable semi-annually in arrears on 2 April and 2 October in each year. The interest on the SGD 750 million security will be payable semi-annually in arrears on 3 April and 3 October in each year. The interest on the $1,000 million securities issued in 2020 will be payable semi-annually in arrears on 26 January and 26 July in each year. The interest on the $1,250 million securities issued in 2021 will be payable semi-annually in arrears on 14 January and 14 July in each year. All the above payments will be accounted for as a dividend.
- Interest on the securities is due and payable only at the sole and absolute discretion of Standard Chartered PLC, subject to certain additional restrictions set out in the terms and conditions. Accordingly, Standard Chartered PLC 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 convert into ordinary shares of Standard Chartered PLC, at a pre-determined price detailed in the table below, should the fully loaded Common Equity Tier 1 ratio of the Group fall below 7.0 per cent. Approximately 644 million ordinary shares would be required to satisfy the conversion of all the securities mentioned above

Issuance date	Nominal value	Conversion price per ordinary share
18 August 2016	USD 2,000 million	USD 7.732
18 January 2017	USD 1,000 million	USD 7.732
3 July 2019	SGD 750 million	SGD 10.909
26 Jun 2020	USD 1,000 million	USD 5.331
14 January 2021	USD 1,250 million	USD 6.353

The securities rank behind the claims against Standard Chartered PLC of (a) unsubordinated creditors, (b) which are expressed to be subordinated to the claims of unsubordinated creditors of Standard Chartered PLC but not further or otherwise; or (c) which are, or are expressed to be, junior to the claims of other creditors of Standard Chartered PLC, 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 conversion trigger.

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
- The amounts in the “Capital and Merger Reserve” represents the premium arising on shares issued using a cash box financing structure, which required the Company to create a merger reserve under section 612 of the Companies Act 2006. Shares were issued using this structure in 2005 and 2006 to assist in the funding of Korea ($1.9 billion) and Taiwan ($1.2 billion) acquisitions, in 2008, 2010 and 2015 for the shares issued by way of a rights issue, primarily for capital maintenance requirements and for the shares issued in 2009 by way of an accelerated book build, the proceeds of which were used in the ordinary course of business of the Group. The funding raised by the 2008, 2010 and 2015 rights issues and 2009 share issue was fully retained within the Company. Of the 2015 funding, $1.5 billion was used to subscribe to additional equity in Standard Chartered Bank, a wholly owned subsidiary of the Company. Apart from the Korea, Taiwan and Standard Chartered Bank funding, the merger reserve is considered realised and distributable
- 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

25. Share capital, other equity instruments and reserves continued

- 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, own shares held (treasury shares) and share buy-backs

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 30 June 2021, the distributable reserves of Standard Chartered PLC (the Company) were $14.1 billion (31 December 2020: $14.3 billion). These comprised retained earnings and $12.6 billion of the merger reserve account. Distribution of reserves is subject to maintaining minimum capital requirements.

Own shares

Computershare Trustees (Jersey) Limited is the trustee of the 2004 Employee Benefit Trust ('2004 Trust') and Ocorian Trustees (Jersey) Limited (formerly known as Bedell Trustees Limited) is the trustee of the 1995 Employees' Share Ownership Plan Trust ('1995 Trust'). The 2004 Trust is used in conjunction with the Group's employee share schemes and the 1995 Trust is used for the delivery of other employee share-based payments (such as upfront shares and fixed pay allowances). Group companies fund these trusts from time to time to enable the trustees to acquire shares to satisfy these arrangements.

Except as disclosed, neither the Company nor any of its subsidiaries has bought, sold or redeemed any securities of the Company listed on The Stock Exchange of Hong Kong Limited during the period. Details of the shares purchased and held by the trusts are set out below.

	1995 Trust			2004 Trust			Total		
	30.06.21	31.12.20	30.06.20	**30.06.21**	31.12.20	30.06.20	**30.06.21**	31.12.20	30.06.20
Shares purchased during the period	**–**	2,999,210	2,999,210	**12,243,256**	14,359,481	14,359,481	**12,243,256**	17,358,691	17,358,691
Market price of shares purchased ($million)	**–**	22	22	**82**	86	86	**82**	108	108
Shares transferred between trusts	**–**	(2,999,210)	(2,999,210)	**–**	2,999,210	2,999,210	**–**	–	–
Shares held at the end of the period	**–**	–	–	**82,213**	6,119,666	8,345,814	**82,213**	6,119,666	8,345,814
Maximum number of shares held during the period							**17,560,740**	11,262,818	11,262,818

26. Retirement benefit obligations

Retirement benefit obligations comprise:

	30.06.21 $million	31.12.20 $million	30.06.20 $million
Total market value of assets	**2,889**	2,957	2,563
Present value of the plans liabilities	**(3,228)**	(3,391)	(3,087)
Defined benefit plans obligation	**(339)**	(434)	(524)
Defined contribution plans obligation	**(17)**	(9)	(19)
Net obligation	**(356)**	(443)	(543)

26. Retirement benefit obligations continued

Retirement benefit charge comprises:

	6 months ended 30.06.21	6 months ended 31.12.20	6 months ended 30.06.20
The pension cost for defined benefit plans was:			
Current service cost	31	31	26
Past service cost and curtailments	–	14	–
Interest income on pension plan assets	(25)	(33)	(27)
Interest on pension plan liabilities	29	37	33
Total charge to profit before deduction of tax	35	49	32
Losses/(returns) on plan assets excluding interest income	39	(117)	(124)
(Gains)/losses on liabilities	(146)	51	189
Total (gains)/losses recognised directly in statement of comprehensive income before tax	(107)	(66)	65
Deferred taxation	14	–	(9)
Total (gains)/losses after tax	(93)	(66)	56

Defined benefit liability values have decreased since 31 December 2020 due to rising bond yields, which lead to the liabilities being discounted at a higher rate. Asset values have fallen since 31 December due to the effect of rising yields on bond assets, partially offset by increasing equity values.

Liabilities have decreased to a greater extent than assets, and as a result there is a reduction in the net balance sheet liability compared to 31 December 2020.

The defined benefit income statement charge for the six months to 30 June 2021 is higher than the corresponding income statement charge for the six months to 30 June 2020, driven by a reduction in the yields used to calculate current service cost at 31 December 2020 (compared to 31 December 2019 yields used for FY20 service cost).

27. Related party transactions

Directors and officers

As at 30 June 2021, Standard Chartered Bank had in place a charge over $102 million (31 December 2020: $89 million) of cash assets in favour of the independent trustee of its employer financed retirement benefit scheme.

There were no changes in the related party transactions described in the Annual Report 2020 that could have or have had a material effect on the financial position or performance of the Group in the period ended 30 June 2021. All related party transactions have taken place in the period were similar in nature to those disclosed in Annual Report 2020.

Associate and joint ventures

The following transactions with related parties are on an arm's length basis:

	30.06.21 $million	31.12.20 $million
Assets		
Loans and advances	4	5
Total assets	4	5
Liabilities		
Deposits	1,004	1,061
Derivative liabilities	3	5
Total liabilities	1,007	1,066
Loan commitments and other guarantees[1]	52	55

1 The maximum loan commitments and other guarantees during the period were $52 million (31 December 2020: $55 million)

28. Post balance sheet events

The Board has recommended an interim ordinary dividend for the half year 2021 of 3 cents a share or $94 million.

The Board has also decided to carry out a share buy-back for up to a maximum consideration of $250 million to further reduce the number of ordinary shares in issue by cancelling the repurchased shares.

29. Corporate governance

The directors confirm that, throughout the period, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules. The directors also confirm that the announcement of these results has been reviewed by the Company's Audit Committee. The Company confirms that it has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Hong Kong Listing Rules and that having made specific enquiry of all directors, the directors of the Company have complied with the required standards of the adopted code of conduct throughout the period.

As previously announced, since 31 December 2020 the following changes to the composition of the Board have taken place. Maria Ramos was appointed to the Board as an Independent Non-Executive Director and member of the Audit and Board Risk Committees on 1 January 2021. Ngozi Okonjo-Iweala stepped down from the Board and Brand, Values and Conduct Committee ("BVCC") on 28 February 2021 following the announcement of her appointment as Director-General of the World Trade Organization from 1 March 2021. Maria Ramos, Independent Non-Executive Director, was appointed as a member of the Remuneration Committee and Naguib Kheraj, Deputy Chairman, stepped down as a member of each of the Audit Committee and Remuneration Committee on 5 July 2021. Biographies for each of the directors and a list of the committees' membership can be found at sc.com.

In compliance with Rule 13.51B(1) of the Hong Kong Listing Rules, the Company confirms that Christine Hodgson, Independent Non-Executive Director, stepped down from the Board of Trustee Directors of Business in the Community on 9 February 2021. Jasmine Whitbread, Independent Non-Executive Director, was appointed Chair of Travis Perkins plc on 31 March 2021 and stepped down as Chief Executive of London First on the same date. David Tang, Independent Non-Executive Director, retired from NGP Capital with effect from 1 June 2021. David Tang, Independent Non-Executive Director, was appointed to Kaiyun Motors, a Chinese electric vehicle start-up, on 1 June 2021, as its Chief Value Officer. Byron Grote, Independent Non-Executive Director, was appointed Senior Independent Director of the Tesco PLC Board on 25 June 2021.

The BVCC was renamed the Culture and Sustainability Committee on 25 May 2021 following a refocus of its remit. Greater weight has been given to Environmental, Social and Governance matters, and areas of duplication addressed.

30. Statutory accounts

The information in this Half Year Report is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. This document was approved by the Board on 3 August 2021. The statutory accounts for the year ended 31 December 2020 have been audited and delivered to the Registrar of Companies in England and Wales. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under sections 498(2) and 498(3) of the Companies Act 2006.

Supplementary financial information

1. Average balance sheets and yields

The following tables set out the average balances and yields for the Group's assets and liabilities for the periods ended 30 June 2021, 31 December 2020 and 30 June 2020. For the purpose of these tables, average balances have been determined on the basis of daily balances, except for certain categories, for which balances have been determined less frequently. The Group does not believe that the information presented in these tables would be significantly different had such balances been determined on a daily basis.

Average assets

	6 months ended 30.06.21				
	Average non-interest earning balance $million	Average interest earning balance $million	Interest income $million	Gross yield interest eaning balance %	Gross yield total balance %
Cash and balances at central banks	23,174	56,473	42	0.15	0.11
Gross loans and advances to banks	22,809	46,623	247	1.07	0.72
Gross loans and advances to customers	53,335	305,302	3,780	2.50	2.13
Impairment provisions against loans and advances to banks and customers	–	(6,451)	–	–	–
Investment securities	31,605	155,268	1,053	1.37	1.14
Property, plant and equipment and intangible assets	8,960	–	–	–	–
Prepayments, accrued income and other assets	113,672	–	–	–	–
Investment associates and joint ventures	2,267	–	–	–	–
Total average assets	255,822	557,215	5,122	1.85	1.27

	6 months ended 31.12.20				
	Average non-interest earning balance $million	Average interest earning balance $million	Interest income $million	Gross yield interest eaning balance %	Gross yield total balance %
Cash and balances at central banks	19,972	45,675	36	0.16	0.11
Gross loans and advances to banks	27,878	51,865	322	1.23	0.80
Gross loans and advances to customers	52,880	295,027	3,802	2.56	2.17
Impairment provisions against loans and advances to banks and customers	–	(7,122)	–	–	–
Investment securities	28,725	146,335	1,257	1.71	1.43
Property, plant and equipment and intangible assets	9,516	–	–	–	–
Prepayments, accrued income and other assets	123,541	–	–	–	–
Investment associates and joint ventures	2,104	–	–	–	–
Total average assets	264,616	531,780	5,417	2.03	1.35

	6 months ended 30.06.20				
	Average non-interest earning balance $million	Average interest earning balance $million	Interest income $million	Gross yield interest eaning balance %	Gross yield total balance %
Cash and balances at central banks	16,378	40,718	77	0.38	0.27
Gross loans and advances to banks	27,489	56,444	479	1.71	1.15
Gross loans and advances to customers	49,747	287,800	4,755	3.32	2.83
Impairment provisions against loans and advances to banks and customers	–	(5,924)	–	–	–
Investment securities	27,897	141,864	1,564	2.22	1.85
Property, plant and equipment and intangible assets	10,061	–	–	–	–
Prepayments, accrued income and other assets	108,905	–	–	–	–
Investment associates and joint ventures	2,140	–	–	–	–
Total average assets	242,617	520,902	6,875	2.65	1.81

1. Average balance sheets and yields continued

Average liabilities

	6 months ended 30.06.21				
	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid interest bearing balance %	Rate paid total balance %
Deposits by banks	17,261	26,599	74	0.56	0.34
Customer accounts:					
Current accounts and savings deposits	48,934	257,233	388	0.30	0.26
Time and other deposits	53,606	151,262	733	0.98	0.72
Debt securities in issue	6,129	61,232	284	0.94	0.85
Accruals, deferred income and other liabilities	118,293	1,093	27	4.98	0.05
Subordinated liabilities and other borrowed funds	–	16,386	246	3.03	3.03
Non-controlling interests	330	–	–	–	–
Shareholders' funds	51,085	–	–	–	–
	295,638	513,805	1,752	0.69	0.44
Adjustment for Financial Markets funding costs			(52)		
Financial guarantee fees on interest earning assets			47		
Total average liabilities and shareholders' funds	295,638	513,805	1,747	0.69	0.44

	6 months ended 31.12.20				
	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid interest bearing balance %	Rate paid total balance %
Deposits by banks	18,033	28,289	3	0.02	0.01
Customer accounts:					
Current accounts and savings deposits	45,915	240,438	373	0.31	0.26
Time and other deposits	59,135	146,414	1,021	1.39	0.99
Debt securities in issue	6,238	51,649	351	1.35	1.21
Accruals, deferred income and other liabilities	130,184	1,134	28	4.91	0.04
Subordinated liabilities and other borrowed funds	–	16,307	287	3.50	3.50
Non-controlling interests	321	–	–	–	–
Shareholders' funds	50,787	–	–	–	–
	310,613	484,231	2,063	0.85	0.52
Adjustment for Financial Markets funding costs			(52)		
Financial guarantee fees on interest earning assets			104		
Total average liabilities and shareholders' funds	310,613	484,231	2,115	0.87	0.53

1. Average balance sheets and yields continued

	6 months ended 30.06.20				
	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid interest bearing balance %	Rate paid total balance %
Deposits by banks	17,764	26,055	235	1.81	1.08
Customer accounts:					
Current accounts and savings deposits	41,519	211,961	767	0.73	0.61
Time and other deposits	58,439	163,409	1,509	1.86	1.37
Debt securities in issue	7,535	53,141	485	1.84	1.61
Accruals, deferred income and other liabilities	114,116	1,204	31	5.18	0.05
Subordinated liabilities and other borrowed funds	–	16,031	350	4.39	4.39
Non-controlling interests	317[1]	–	–	–	–
Shareholders' funds	49,963	–	–	–	–
	289,653	471,801	3,377	1.44	0.89
Adjustment for Financial Markets funding costs			(121)		
Financial guarantee fees on interest earning assets			–		
Total average liabilities and shareholders' funds	289,653	471,801	3,256	1.39	0.86

1 Restated from $ nil to $317 million

A. Our Fair Pay Charter

Our Fair Pay Charter, introduced in 2018, sets out the principles we use to make remuneration decisions across the Group that are fair, transparent and competitive in order to support us in embedding a performance oriented, inclusive and innovative culture and in delivering a differentiated employee experience. Our Fair Pay Charter principles are set out in the Group's 2020 Annual Report together with a summary of our progress in implementing these across the Group, and our second external Fair Pay Report, published in February 2021, is available on our Group website.

B. Group share plans

Discretionary share plans

The Group has two discretionary share plans: the 2011 Standard Chartered Share Plan, approved by shareholders in May 2011, and the 2021 Standard Chartered Share Plan, approved by shareholders in May 2021. The first awards under the 2021 Standard Chartered Share Plan were made on 21 June 2021. The discretionary share plans are used to deliver various types of share awards:

- Long-term incentive plan (LTIP) awards: granted with vesting subject to performance measures. Performance measures attached to awards granted previously include: total shareholder return (TSR); return on equity (RoE) with a common equity tier 1 (CET1) underpin; strategic measures; earnings per share (EPS) growth; and return on risk-weighted assets (RoRWA). Each measure is assessed independently over a three-year period. Awards granted from 2016 have an individual conduct gateway 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
- 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 discretionary share plans, no grant price is payable to receive an award. New awards cannot be made under the 2011 Standard Chartered Share Plan. The remaining life of the 2021 Standard Chartered Share Plan during which new awards can be made is ten years.

All Employee 2013 Sharesave Plan

The 2013 Sharesave Plan was approved by shareholders in May 2013. Under the 2013 Sharesave Plan, employees may open a savings contract. Within a maturity period of six months after the third anniversary, employees may purchase ordinary shares in the Company at a discount of up to 20 per cent on the share price at the date of invitation (this is known as the 'option exercise price'). There are no performance measures attached to options granted under the 2013 Sharesave Plan and no grant price is payable to receive an option.

In some countries in which the Group operates, it is not possible to deliver shares under the 2013 Sharesave Plan, typically due to securities laws 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 one year.

Valuation of share awards

Details of the valuation models used in determining the fair values of share awards granted under the Group's share plans are detailed in the Group's 2020 Annual Report.

Reconciliation of share award movements for the period to 30 June 2021

	LTIP[1]	Deferred/ Restricted shares	Sharesave	Weighted average Sharesave exercise price (£)
Outstanding at 1 January 2021	22,918,242	39,543,548	16,591,704	4.31
Granted[2]	4,034,797	16,996,576	–	–
Lapsed	(15,003,306)	(585,676)	(2,277,702)	5.58
Exercised	(300,679)	(14,080,763)	(903)	4.50
Outstanding at 30 June 2021	11,649,054	41,873,685	14,313,099	4.11
Exercisable as at 30 June 2021	7,843	1,952,726	41,685	4.30
Range of exercise prices (£)	–	–	3.14 – 6.20	
Intrinsic value of vested but not exercised options ($ million)	0.05	12.44	0.03	
Weighted average contractual remaining life (years)	8.35	8.57	2.19	
Weighted average share price for awards exercised during the period (£)	5.00	4.95	5.00	

1 Employees do not contribute towards the cost of these awards

2 16,704,511 (DRSA/RSA) granted on 15 March 2021, 94,954 (DRSA/RSA) granted as notional dividend on 01 March 2021, 4,023,843 (LTIP) granted on 15 March 2021, 10,954 (LTIP) granted as Notional dividend on 01 March 2021, 197,111 (DRSA/RSA) granted on 21 June 2021

C. Group Chairman and independent non-executive directors' interests in ordinary shares as at 30 June 2021[1,2]

	Shares beneficially held as at 30 June 2021	Shares beneficially held as at 31 December 2020
Group Chairman		
J Viñals	18,500	18,500
Independent non-executive directors		
D P Conner	10,000	10,000
B E Grote	80,041	80,041
C M Hodgson, CBE	2,571	2,571
G Huey Evans, CBE	2,615	2,615
N Kheraj	40,571	40,571
N Okonjo-Iweala[3]	–	2,034
M Ramos[4]	2,000	–
P G Rivett	2,128	2,128
D Tang	2,000	2,000
C Tong	2,000	2,000
J M Whitbread	3,615	3,615

1 Independent non-executive directors are required to hold shares with a nominal value of $1,000. All the directors have met this requirement

2 The beneficial interests of the Group Chairman and independent non-executive directors and connected persons in the ordinary shares of the Company are set out above. These directors do not have any non-beneficial interests in the Company's shares. None of these directors used ordinary shares as collateral for any loans. No director had either i) an interest in the Company's preference shares or loan stocks of any subsidiary or associated undertaking of the Group or ii) any corporate interests in the Company's ordinary shares. All figures as at 30 June 2021 unless otherwise stated

3 Ngozi Okonjo-Iweala stepped down from the Board on 28 February 2021

4 Maria Ramos was appointed to the Board on 1 January 2021

D. Executive directors' interests in ordinary shares as at 30 June 2021

Scheme interests awarded, exercised and lapsed during the period

Employees, including executive directors, are not permitted to engage in any personal hedging strategies with regards to their Standard Chartered PLC shares, including hedging against the share price of Standard Chartered PLC shares. The main features of the outstanding shares and awards are summarised below:

Award	Performance measures	Accrues notional dividends?[1]	No. of tranches	Tranche splits	Performance outcome
2016-18	33% – RoE 33% – TSR	Yes	5	50% tranche 1 12.5% tranches 2-5	27%
2017-19	33% – Strategic	Yes	5	5 equal tranches	38%
2018-20		No	5		26%
2019-21	33% – RoTE	No	5		To be assessed at end of 2021
2020-22	33% – TSR 33% – Strategic	No	5		To be assessed at end of 2022
2021-23	30% – RoTE 30% – TSR 15% – Sustainability 25% – Strategic	No	5		To be assessed at end of 2023

1 2016-18 and 2017-19 LTIP awards may receive dividend equivalent shares based on dividends declared between grant and vest. From 1 January 2017 remuneration regulations for European banks mean that dividend equivalent shares are not permitted to be awarded therefore the number of shares awarded in respect of the 2018-20, 2019-21, 2020-22 and 2021-23 LTIP awards took into account the lack of dividend equivalents (calculated by reference to market consensus dividend yield) such that the overall value of the award was maintained

The following table shows the changes in share interests.

	Share award price (£)	As at 1 January	Changes in interests during the period 1 January to 30 June 2021: Awarded[1]	Dividends awarded[2]	Exercised[3]	Lapsed	As at 30 June	Performance period end	Vesting date
B Winters[4]									
2016-18 LTIP	5.560	33,506	–	1,915	35,421	–	–	11 Mar 2019	4 May 2021
		33,506	–	–	–	–	33,506		4 May 2022
		33,507	–	–	–	–	33,507		4 May 2023
2017-19 LTIP	7.450	45,049	–	1,355	46,404	–	–	13 Mar 2020	13 Mar 2021
		45,049	–	–	–	–	45,049		13 Mar 2022
		45,049	–	–	–	–	45,049		13 Mar 2023
		45,049	–	–	–	–	45,049		13 Mar 2024
2018-20 LTIP	7.782	108,378	–	–	28,178	80,200	–	9 Mar 2021	9 Mar 2021
		108,378	–	–	–	80,200	28,178		9 Mar 2022
		108,378	–	–	–	80,200	28,178		9 Mar 2023
		108,378	–	–	–	80,200	28,178		9 Mar 2024
		108,379	–	–	–	80,200	28,179		9 Mar 2025
2019-21 LTIP	6.105	133,065	–	–	–	–	133,065	11 Mar 2022	11 Mar 2022
		133,065	–	–	–	–	133,065		11 Mar 2023
		133,065	–	–	–	–	133,065		11 Mar 2024
		133,065	–	–	–	–	133,065		11 Mar 2025
		133,067	–	–	–	–	133,067		11 Mar 2026
2020-22 LTIP	5.196	161,095	–	–	–	–	161,095	9 Mar 2023	9 Mar 2023
		161,095	–	–	–	–	161,095		9 Mar 2024
		161,095	–	–	–	–	161,095		9 Mar 2025
		161,095	–	–	–	–	161,095		9 Mar 2026
		161,095	–	–	–	–	161,095		9 Mar 2027
2021-23 LTIP	4.901	–	150,621	–	–	–	150,621	15 Mar 2024	15 Mar 2024
		–	150,621	–	–	–	150,621		15 Mar 2025
		–	150,621	–	–	–	150,621		15 Mar 2026
		–	150,621	–	–	–	150,621		15 Mar 2027
		–	150,621	–	–	–	150,621		15 Mar 2028

	Share award price (£)	As at 1 January	Changes in interests during the period 1 January to 30 June 2021						
			Awarded[1]	Dividends awarded[2]	Exercised[3]	Lapsed	As at 30 June	Performance period end	Vesting date
A Halford[4,5]									
2016-18 LTIP	5.560	20,008	–	1,142	21,150	–	–	11 Mar 2019	4 May 2021
		20,008	–	–	–	–	20,008		4 May 2022
		20,009	–	–	–	–	20,009		4 May 2023
2017-19 LTIP	7.450	27,888	–	838	28,726	–	–	13 Mar 2020	13 Mar 2021
		27,888	–	–	–	–	27,888		13 Mar 2022
		27,888	–	–	–	–	27,888		13 Mar 2023
		27,890	–	–	–	–	27,890		13 Mar 2024
2018-20 LTIP	7.782	67,108	–	–	17,448	49,660	–	9 Mar 2021	9 Mar 2021
		67,108	–	–	–	49,660	17,448		9 Mar 2022
		67,108	–	–	–	49,660	17,448		9 Mar 2023
		67,108	–	–	–	49,660	17,448		9 Mar 2024
		67,108	–	–	–	49,660	17,448		9 Mar 2025
2019-21 LTIP	6.105	85,094	–	–	–	–	85,094	11 Mar 2022	11 Mar 2022
		85,094	–	–	–	–	85,094		11 Mar 2023
		85,094	–	–	–	–	85,094		11 Mar 2024
		85,094	–	–	–	–	85,094		11 Mar 2025
		85,096	–	–	–	–	85,096		11 Mar 2026
2020-22 LTIP	5.196	99,976	–	–	–	–	99,976	9 Mar 2023	9 Mar 2023
		99,976	–	–	–	–	99,976		9 Mar 2024
		99,976	–	–	–	–	99,976		9 Mar 2025
		99,976	–	–	–	–	99,976		9 Mar 2026
		99,977	–	–	–	–	99,977		9 Mar 2027
2021-23 LTIP	4.901	–	96,283	–	–	–	96,283	15 Mar 2024	15 Mar 2024
		–	96,283	–	–	–	96,283		15 Mar 2025
		–	96,283	–	–	–	96,283		15 Mar 2026
		–	96,283	–	–	–	96,283		15 Mar 2027
		–	96,283	–	–	–	96,283		15 Mar 2028
Sharesave	4.980	1,807	–	–	–	–	1,807	–	1 Dec 2022

1 For the 2021-23 LTIP awards granted to Bill Winters and Andy Halford on 15 March 2021, the values granted were: Bill Winders: £3.1 million; Andy Halford £2.0 million. The number of shares awarded in respect of the LTIP took into account the lack of dividend equivalents (calculated by reference to market consensus dividend yield) such that the overall value of the award was maintained. Performance measures apply to 2021-23 LTIP awards. The closing share price on the day before grant was £4.901

2 On 31 March 2020 Standard Chartered announced that in response to the request from the PRA and as a consequence of the unprecedented challenges facing the world due to the COVID-19 pandemic, the Board decided to withdraw the recommendation to pay a final dividend for 2019. 1,200 dividend equivalent shares allocated to Bill's 2017-19 LTIP award tranche which vested in March 2020 and 742 allocated to Andy's 2017-19 LTIP award tranche which vested in March 2020 relating to the cancelled dividend were therefore deducted from the calculation of dividend equivalent shares allocated to shares vesting in March 2021. Dividend equivalent shares allocated to the 2016-18 LTIP award tranche vesting in May 2021 did not include any shares relating to the cancelled dividend.

3 On 15 March 2021, Bill Winters exercised the 2017-19 LTIP award over a total of 46,404 shares and Andy Halford exercised the 2017-19 LTIP award over a total of 28,726 shares. The closing share price on the day before the exercise was £4.901. On 17 March 2021, Bill Winters exercised the 2018-20 LTIP award over a total of 28,178 shares and Andy Halford exercised the 2018-20 LTIP award over a total of 17,448 shares. The closing share price on the day before the exercise was £4.913. On 4 May 2021, Bill Winters exercised the 2016-18 LTIP award over a total of 35,421 shares and Andy Halford exercised the 2016-18 LTIP award over a total of 21,150 shares. The closing share price on the day before the exercise was £5.196

4 The unvested share awards held by Bill Winters and Andy Halford are conditional rights under the 2011 Plan. They do not have to pay towards these awards

5 The unvested Sharesave option held by Andy Halford is an option granted on 1 October 2019 under the 2013 Plan – to exercise this option, Andy has to pay an exercise price of £4.98 per share, which has been discounted by 20 per cent

As at 30 June 2021, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Shareholdings and share interests

The following table summarises the executive directors' shareholdings and share interests.

	Shares held beneficially[1,2,3]	Unvested share awards not subject to performance measures (net of tax)[4]	Total shares counting towards shareholding requirement	Shareholding requirement	Salary[3]	Value of shares counting towards shareholding requirement as a percentage of salary[1]	Unvested share awards subject to performance measures
B Winters	2,028,376	166,883	2,195,259	250% salary	£2,370,000	427%	2,223,907
A Halford	837,066	104,348	941,414	200% salary	£1,515,000	286%	1,406,768

1 All figures are as at 30 June 2021 unless stated otherwise. The closing share price on 30 June 2021 was £4.61. No director had either: (i) an interest in Standard Chartered PLC's preference shares or loan stocks of any subsidiary or associated undertaking of the Group; or (ii) any corporate interested in Standard Chartered PLC's ordinary shares

2 The beneficial interests of directors and connected persons in the ordinary shares of the Company are set out above. The executive directors do not have any non-beneficial interest in the Company's shares. Neither of the executive directors used ordinary shares as collateral for any loans

3 The salary and shares held beneficially include shares awarded to deliver the executive directors' salary shares

4 26 per cent of the 2018-20 LTIP award is no longer subject to performance measures due to achievement against 2018-20 strategic measures

E. Share price information

The middle market price of an ordinary share at the close of business on 30 June 2021 was 461 pence. The share price range during the first half of 2021 was 444 pence to 521.6 pence (based on the closing middle market prices).

F. Substantial shareholders

The Company and its shareholders have been granted partial exemption from the disclosure requirements under Part XV of the Securities and Futures Ordinance (SFO). As a result of this exemption, shareholders no longer have an obligation under Part XV of the SFO (other than Divisions 5, 11 and 12 thereof) to notify the Company of substantial shareholding interests, and the Company is no longer required to maintain a register of interests of substantial shareholders under section 336 of the SFO. The Company is, however, required to file with The Stock Exchange of Hong Kong Limited any disclosure of interests made in the UK.

G. Code for Financial Reporting Disclosure

The UK Finance Code for Financial Reporting Disclosure sets out five disclosure principles together with supporting guidance. The principles are that UK banks will: provide high-quality, meaningful and decision useful disclosures; review and enhance their financial instrument disclosures for key areas of interest; assess the applicability and relevance of good practice recommendations to their disclosures, acknowledging the importance of such guidance; seek to enhance the comparability of financial statement disclosures across the UK banking sector; and clearly differentiate in their annual reports between information that is audited and information that is unaudited.

The Group's interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with the Code's principles.

H. Employees

The details regarding the number and remuneration of our employees, remuneration policies, bonus and training schemes have not materially changed from our 2020 Annual Report and Accounts and we will be updating these figures in our 2021 Annual Report.

Shareholder information

Dividend and interest payment dates

Ordinary shares	2021 interim dividend (cash only)
Results and dividend announced	3 August 2021
Ex-dividend date	12 (UK) 11 (HK) August 2021
Record date	13 August 2021
Last date to amend currency election instructions for cash dividend*	27 September 2021
Dividend payment date	22 October 2021

* In either US dollars, sterling, or Hong Kong dollars

	2021 final dividend (provisional only)
Results and dividend announcement date	17 February 2022

Preference shares	Second half-yearly dividend
7 3/8 per cent non-cumulative irredeemable preference shares of £1 each	1 October 2021
8 ¼ per cent non-cumulative irredeemable preference shares of £1 each	1 October 2021
6.409 per cent non-cumulative redeemable preference shares of $5 each	30 July 2021, 30 October 2021
7.014 per cent non-cumulative redeemable preference shares of $5 each	30 July 2021

Previous dividend payments (unadjusted for the impact of the 2015/2010/2008 Rights Issues)

Dividend and financial year	Payment date	Dividend per ordinary share	Cost of one new ordinary share under share dividend scheme
Interim 2008	9 October 2008	25.67c/13.96133p/HK$1.995046	£14.00/$26.0148
Final 2008	15 May 2009	42.32c/28.4693p/HK$3.279597	£8.342/$11.7405
Interim 2009	8 October 2009	21.23c/13.25177p/HK$1.645304	£13.876/$22.799
Final 2009	13 May 2010	44.80c/29.54233p/HK$3.478306	£17.351/$26.252
Interim 2010	5 October 2010	23.35c/14.71618p/HK$1.811274/INR0.984124[1]	£17.394/$27.190
Final 2010	11 May 2011	46.65c/28.272513p/HK$3.623404/INR1.9975170[1]	£15.994/$25.649
Interim 2011	7 October 2011	24.75c/15.81958125p/HK$1.928909813/INR1.13797125[1]	£14.127/$23.140
Final 2011	15 May 2012	51.25c/31.63032125p/HK$3.9776083375/INR2.6667015[1]	£15.723/$24.634
Interim 2012	11 October 2012	27.23c/16.799630190p/HK$2.111362463/INR1.349803950[1]	£13.417/$21.041
Final 2012	14 May 2013	56.77c/36.5649893p/HK$4.4048756997/INR2.976283575[1]	£17.40/$26.28792
Interim 2013	17 October 2013	28.80c/17.8880256p/HK$2.233204992/INR1.6813[1]	£15.362/$24.07379
Final 2013	14 May 2014	57.20c/33.9211444p/HK$4.43464736/INR3.354626[1]	£11.949/$19.815
Interim 2014	20 October 2014	28.80c/17.891107200p/HK$2.2340016000/INR1.671842560[1]	£12.151/$20.207
Final 2014	14 May 2015	57.20c/37.16485p/HK$4.43329/INR3.514059[1]	£9.797/$14.374
Interim 2015	19 October 2015	14.40c/9.3979152p/HK$1.115985456/INR0.86139372[1]	£8.5226/$13.34383
Final 2015	No dividend declared	N/A	N/A
Interim 2016	No dividend declared	N/A	N/A
Final 2016	No dividend declared	N/A	N/A
Interim 2017	No dividend declared	N/A	N/A
Final 2017	17 May 2018	11.00c/7.88046p/HK$0.86293/INR0.653643340[1]	£7.7600/$10.83451
Interim 2018	22 October 2018	6.00c/4.59747p/HK$0.46978/INR0.3696175[1]	£6.7104/$8.51952
Final 2018	16 May 2019	15.00c/11.569905p/HK$1.176260/INR0.957691650[1]	N/A
Interim 2019	21 October 2019	7.00c/5.676776p/HK$0.548723/INR0.425028600[1]	N/A
Final 2019	Dividend withdrawn	N/A	N/A
Interim 2020	No dividend declared	N/A	N/A
Final 2020	20 May 2021	9.00c/6.472413p/HK$0.698501	N/A

1 The INR dividend was per Indian Depository Receipt

Further details regarding your shares and dividends can be found on our website at sc.com/shareholders.

ShareCare

ShareCare is available to shareholders on the Company's UK register who have a UK address and bank account. It allows you to hold your Standard Chartered PLC shares in a nominee account. Your shares will be held in electronic form so you will no longer have to worry about keeping your share certificates safe. If you join ShareCare, you will still be invited to attend the Company's AGM and you will receive any dividend paid at the same time as everyone else. ShareCare is free to join and there are no annual fees to pay. If you would like to receive more information, please contact the shareholder helpline on 0370 702 0138.

Donating shares to ShareGift

Shareholders who have a small number of shares often find it uneconomical to sell them. An alternative is to consider donating them to the charity ShareGift (registered charity 1052686), which collects donations of unwanted shares until there are enough to sell and uses the proceeds to support UK charities. There is no implication for capital gains tax (no gain or loss) when you donate shares to charity, and UK taxpayers may be able to claim income tax relief on the value of their donation. Further information can be obtained from the Company's registrars or from ShareGift on 020 7930 3737 or from sharegift.org.

Bankers' Automated Clearing System (BACS)

Dividends can be paid straight into your bank or building society account. Please register online at investorcentre.co.uk or contact our registrar for a mandate form.

Registrars and shareholder enquiries

If you have any enquiries relating to your shareholding and you hold your shares on the UK register, please contact our registrar Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ or call the shareholder helpline number on 0370 702 0138.

If you hold your shares on the Hong Kong branch register and you have enquiries, please contact Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. You can check your shareholding at: computershare.com/hk/investors.

Chinese translation

If you would like a Chinese version of this Half Year Report, please contact: Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

本半年報告之中文譯本可向香港中央證券登記有限公司索取，地址：香港灣仔皇后大道東183號合和中心17M樓。

Shareholders on the Hong Kong branch register who have asked to receive corporate communications in either Chinese or English can change this election by contacting Computershare. If there is a dispute between any translation and the English version of this Half Year Report, the English text shall prevail.

Electronic communications

If you hold your shares on the UK register and in future you would like to receive the Half Year Report electronically rather than by post, please register online at: investorcentre.co.uk. Then click on 'register' and follow the instructions. You will need to have your Shareholder or ShareCare reference number when you log on. You can find this on your share certificate or ShareCare statement. Once registered, you can also submit your proxy vote and dividend election electronically and change your bank mandate or address information.

Glossary

AT1 or Additional Tier 1 capital
Additional Tier 1 capital consists of instruments other than Common Equity Tier 1 that meet the Capital Requirements Regulation (CRR) criteria for inclusion in Tier 1 capital.

Additional value adjustment
See Prudent valuation adjustment.

Advanced Internal Rating Based (AIRB) approach
The AIRB approach under the Basel framework is used to calculate credit risk capital based on the Group's own estimates of prudential parameters.

Alternative performance measures
A financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

ASEAN
Association of South East Asian Nations (ASEAN) which includes the Group's operations in Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

AUM or Assets under management
Total market value of assets such as deposits, securities and funds held by the Group on behalf of the clients.

Basel II
The capital adequacy framework issued by the Basel Committee on Banking Supervision (BCBS) in June 2006 in the form of the International Convergence of Capital Measurement and Capital Standards.

Basel III
The global regulatory standards on bank capital adequacy and liquidity, originally issued in December 2010 and updated in June 2011. In December 2017, the BCBS published a document setting out the finalisation of the Basel III framework. The latest requirements issued in December 2017 will be implemented from 2022.

BCBS or Basel Committee on Banking Supervision
A forum on banking supervisory matters which develops global supervisory standards for the banking industry. Its members are officials from 45 central banks or prudential supervisors from 27 countries and territories.

Basic earnings per share (EPS)
Represents earnings divided by the basic weighted average number of shares.

Basis point (bps)
One hundredth of a per cent (0.01 per cent); 100 basis points is 1 per cent.

CRD or Capital Requirements Directive
A capital adequacy legislative package adopted by EU member states. CRD comprises the recast Capital Requirements Directive and the Capital Requirements Regulation (CRR). The package implements the Basel III framework together with transitional arrangements for some of its requirements. CRD IV came into force on 1 January 2014. CRR II and CRD V amending the existing package came into force in June 2019 with most changes starting to apply from 28 June 2021.

Capital-lite income
Income derived from products with low RWA consumption or products which are non-funding in nature.

Capital resources
Sum of Tier 1 and Tier 2 capital after regulatory adjustments.

CGU or Cash-generating unit
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Cash shortfall
The difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive over the contractual life of the instrument.

Clawback
An amount an individual is required to pay back to the Group, which has to be returned to the Group under certain circumstances.

Commercial real estate
Includes office buildings, industrial property, medical centres, hotels, malls, retail stores, shopping centres, farm land, multi-family housing buildings, warehouses, garages, and industrial properties. Commercial real estate loans are those backed by a package of commercial real estate assets.

CET1 or Common Equity Tier 1 capital
Common Equity Tier 1 capital consists of the common shares issued by the Group and related share premium, retained earnings, accumulated other comprehensive income and other disclosed reserves, eligible non-controlling interests and regulatory adjustments required in the calculation of Common Equity Tier 1.

CET1 ratio
A measure of the Group's CET1 capital as a percentage of risk-weighted assets.

Contractual maturity
Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal and interest is due to be paid.

Countercyclical capital buffer
The countercyclical capital buffer (CCyB) is part of a set of macroprudential instruments, designed to help counter procyclicality in the financial system. CCyB as defined in the Basel III standard provides for an additional capital requirement of up to 2.5 per cent of risk-weighted assets in a given jurisdiction. The Bank of England's Financial Policy Committee has the power to set the CCyB rate for the United Kingdom. Each bank must calculate its 'institution-specific' CCyB rate, defined as the weighted average of the CCyB rates in effect across the jurisdictions in which it has credit exposures. The institution-specific CCyB rate is then applied to a bank's total risk-weighted assets.

Counterparty credit risk
The risk that a counterparty defaults before satisfying its obligations under a derivative, a securities financing transaction (SFT) or a similar contract.

CCF or Credit conversion factor
An estimate of the amount the Group expects a customer to have drawn further on a facility limit at the point of default. This is either prescribed by CRR or modelled by the bank.

CDS or Credit default swaps
A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.

Credit institutions
An institution whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account.

Credit risk mitigation
Credit risk mitigation is a process to mitigate potential credit losses from any given account, customer or portfolio by using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and guarantees.

CVA or Credit valuation adjustments
An adjustment to the fair value of derivative contracts that reflects the possibility that the counterparty may default such that the Group would not receive the full market value of the contracts.

Customer accounts
Money deposited by all individuals and companies which are not credit institutions including securities sold under repurchase agreement (see repo/reverse repo). Such funds are recorded as liabilities in the Group's balance sheet under customer accounts.

Days past due
One or more days that interest and/or principal payments are overdue based on the contractual terms.

DVA or Debit valuation adjustment
An adjustment to the fair value of derivative contracts that reflects the possibility that the Group may default and not pay the full market value of contracts.

Debt securities
Debt securities are assets on the Group's balance sheet and represent certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by central banks.

Debt securities in issue
Debt securities in issue are transferable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.

Deferred tax asset
Income taxes recoverable in future periods in respect of deductible temporary differences between the accounting and tax base of an asset or liability that will result in tax deductible amounts in future periods, the carry-forward of tax losses or the carry-forward of unused tax credits.

Deferred tax liability
Income taxes payable in future periods in respect of taxable temporary differences between the accounting and tax base of an asset or liability that will result in taxable amounts in future periods.

Default
Financial assets in default represent those that are at least 90 days past due in respect of principal or interest and/or where the assets are otherwise considered to be unlikely to pay, including those that are credit-impaired.

Defined benefit obligation
The present value of expected future payments required to settle the obligations of a defined benefit scheme resulting from employee service.

Defined benefit scheme
Pension or other post-retirement benefit scheme other than a defined contribution scheme.

Defined contribution scheme
A pension or other post-retirement benefit scheme where the employer's obligation is limited to its contributions to the fund.

Delinquency
A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as arrears.

Deposits by banks
Deposits by banks comprise amounts owed to other domestic or foreign credit institutions by the Group including securities sold under repo.

Diluted earnings per share (EPS)
Represents earnings divided by the weighted average number of shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Dividend per share
Represents the entitlement of each shareholder in the share of the profits of the Company. Calculated in the lowest unit of currency in which the shares are quoted.

Early alert, purely and non-purely precautionary
A borrower's account which exhibits risks or potential weaknesses of a material nature requiring closer monitoring, supervision, or attention by management. Weaknesses in such a borrower's account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded to credit grade 12 or worse. When an account is on early alert, it is classified as either purely precautionary or non-purely precautionary. A purely precautionary account is one that exhibits early alert characteristics, but these do not present any imminent credit concern. If the symptoms present an imminent credit concern, an account will be considered for classification as non-purely precautionary.

Effective tax rate
The tax on profit/ (losses) on ordinary activities as a percentage of profit/ (loss) on ordinary activities before taxation.

Encumbered assets
On-balance sheet assets pledged or used as collateral in respect of certain of the Group's liabilities.

EU or European Union
The European Union (EU) is a political and economic union of 27 member states that are located primarily in Europe.

Eurozone
Represents the 19 EU countries that have adopted the euro as their common currency.

ECL or Expected credit loss
Represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee.

Expected loss
The Group measure of anticipated loss for exposures captured under an internal ratings-based credit risk approach for capital adequacy calculations. It is measured as the Group-modelled view of anticipated loss based on probability of default, loss given default and exposure at default, with a one-year time horizon.

Exposures
Credit exposures represent the amount lent to a customer, together with any undrawn commitments.

EAD or Exposure at default
The estimation of the extent to which the Group may be exposed to a customer or counterparty in the event of, and at the time of, that counterparty's default. At default, the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit.

ECAI or External Credit Assessment Institution
External credit ratings are used to assign risk-weights under the standardised approach for sovereigns, corporates and institutions. The external ratings are from credit rating agencies that are registered or certified in accordance with the credit rating agencies regulation or from a central bank issuing credit ratings which is exempt from the application of this regulation.

FCA or Financial Conduct Authority
The Financial Conduct Authority regulates the conduct of financial firms and, for certain firms, prudential standards in the UK. It has a strategic objective to ensure that the relevant markets function well.

Forbearance
Forbearance takes place when a concession is made to the contractual terms of a loan in response to an obligor's financial difficulties. The Group classifies such modified loans as either 'Forborne – not impaired loans' or 'Loans subject to forbearance – impaired'. Once a loan is categorised as either of these, it will remain in one of these two categories until the loan matures or satisfies the 'curing' conditions described in Note 8 to the financial statements.

Forborne – not impaired loans
Loans where the contractual terms have been modified due to financial difficulties of the borrower, but the loan is not considered to be impaired. See 'Forbearance'.

Funded/unfunded exposures
Exposures where the notional amount of the transaction is funded or unfunded. Represents exposures where a commitment to provide future funding is made but funds have been released/ not released.

FVA or Funding valuation adjustments
FVA reflects an adjustment to fair value in respect of derivative contracts that reflects the funding costs that the market participant would incorporate when determining an exit price.

G-SIBs or Global Systemically Important Banks
Global banking financial institutions whose size, complexity and systemic interconnectedness mean that their distress or failure would cause significant disruption to the wider financial system and economic activity. The list of G-SIBs is assessed under a framework established by the FSB and the BCBS. In the EU, the G-SIB framework is implemented via CRD IV and G-SIBs are referred to as Global Systemically Important Institutions (G-SIIs).

G-SIB buffer
A CET1 capital buffer which results from designation as a G-SIB. The G-SIB buffer is between 1 per cent and 3.5 per cent, depending on the allocation to one of five buckets based on the annual scoring. 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 116.

Operating expenses
Staff and premises costs, general and administrative expenses, depreciation and amortisation. Underlying operating expenses exclude expenses as described in 'Underlying earnings'. A reconciliation between underlying and statutory earnings is contained in Note 2 to the financial statements.

Operating income or operating profit
Net interest, net fee and net trading income, as well as other operating income. Underlying operating income represents the income line items above, on an underlying basis. See 'Underlying earnings'.

OTC or Over-the-counter derivatives
A bilateral transaction (e.g. derivatives) that is not exchange traded and that is valued using valuation models.

OCA or Own credit adjustment
An adjustment to the Group's issued debt designated at fair value through profit or loss that reflects the possibility that the Group may default and not pay the full market value of the contracts.

Perennial sub-optimal clients
Clients that have returned below 3% return on risk-weighted assets for the last three years

Physical risks
The risk of increased extreme weather events including flood, drought and sea level rise.

Pillar 1
The first pillar of the three pillars of the Basel framework which provides the approach to calculation of the minimum capital requirements for credit, market and operational risk. Minimum capital requirements are 8 per cent of the Group's risk-weighted assets.

Pillar 2
The second pillar of the three pillars of the Basel framework which requires banks to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other suitable mitigants are not available.

Pillar 3
The third pillar of the three pillars of the Basel framework which aims to provide a consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk practices.

Priority Banking
Priority Banking customers are individuals who have met certain criteria for deposits, AUM, mortgage loans or monthly payroll. Criteria varies by country.

Private equity investments
Equity securities in operating companies generally not quoted on a public exchange. Investment in private equity often involves the investment of capital in private companies. Capital for private equity investment is raised by retail or institutional investors and used to fund investment strategies such as leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.

PD or Probability of default
PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation over a given time horizon.

Probability weighted
Obtained by considering the values the metric can assume, weighted by the probability of each value occurring.

Profit (loss) attributable to ordinary shareholders
Profit (loss) for the year after non-controlling interests and dividends declared in respect of preference shares classified as equity.

PVA or Prudent valuation adjustment
An adjustment to CET1 capital to reflect the difference between fair value and prudent value positions, where the application of prudence results in a lower absolute carrying value than recognised in the financial statements.

PRA or Prudential Regulation Authority
The Prudential Regulation Authority is the statutory body responsible for the prudential supervision of banks, building societies, credit unions, insurers and a small number of significant investment firms in the UK. The PRA is a part of the Bank of England.

Regulatory consolidation
The regulatory consolidation of Standard Chartered PLC differs from the statutory consolidation in that it excludes Standard Chartered Assurance Limited and Standard Chartered Insurance Limited and includes the full consolidation of PT Bank Permata Tbk.

Repo/reverse repo
A repurchase agreement or repo is a short-term funding agreement, which allows a borrower to sell a financial asset, such as asset-backed securities or government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future), it is a reverse repurchase agreement or reverse repo.

Residential mortgage
A loan to purchase a residential property which is then used as collateral to guarantee repayment of the loan. The borrower gives the lender a lien against the property, and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a home loan.

RoRWA or Return on risk-weighted assets
Profit before tax for year as a percentage of RWA. Profit may be statutory or underlying and is specified where used. See 'RWA' and 'Underlying earnings'.

RWA or Risk-weighted assets
A measure of a bank's assets adjusted for their associated risks, expressed as a percentage of an exposure value in accordance with the applicable standardised or IRB approach provisions.

Risks-not-in-VaR (RNIV)
A framework for identifying and quantifying marginal types of market risk that are not captured in the Value at Risk (VaR) measure for any reason, such as being a far-tail risk or the necessary historical market data not being available.

Roll rate
Uses a matrix that gives average loan migration rate from delinquency states from period to period. A matrix multiplication is then performed to generate the final PDs by delinquency bucket over different time horizons.

Secured (fully and partially)
A secured loan is a loan in which the borrower pledges an asset as collateral for a loan which, in the event that the borrower defaults, the Group is able to take possession of. All secured loans are considered fully secured if the fair value of the collateral is equal to or greater than the loan at the time of origination. All other secured loans are considered to be partly secured.

Securitisation
Securitisation is a process by which credit exposures are aggregated into a pool, which is used to back new securities. Under traditional securitisation transactions, assets are sold to a structured entity which then issues new securities to investors at different levels of seniority (credit tranching). This allows the credit quality of the assets to be separated from the credit rating of the originating institution and transfers risk to external investors in a way that meets their risk appetite. Under synthetic securitisation transactions, the transfer of risk is achieved by the use of credit derivatives or guarantees, and the exposures being securitised remain exposures of the originating institution.

Senior debt
Debt that takes priority over other unsecured or otherwise more 'junior' debt owed by the issuer. Senior debt has greater seniority in the issuer's capital structure than subordinated debt. In the event the issuer goes bankrupt, senior debt theoretically must be repaid before other creditors receive any payment.

SICR or Significant increase in credit risk
Assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after considering the passage of time).

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

Sovereign exposures
Exposures to central governments and central government departments, central banks and entities owned or guaranteed by the aforementioned. Sovereign exposures, as defined by the European Banking Authority, include only exposures to central governments.

Stage 1
Assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months expected credit losses.

Stage 2
Assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

Stage 3
Assets that are in default and considered credit-impaired (non-performing loans).

Standardised approach
In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.

Structured note
An investment tool which pays a return linked to the value or level of a specified asset or index and sometimes offers capital protection if the value declines. Structured notes can be linked to equities, interest rates, funds, commodities and foreign currency.

Subordinated liabilities
Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.

Tier 1 capital
The sum of Common Equity Tier 1 capital and Additional Tier 1 capital.

Tier 1 capital ratio
Tier 1 capital as a percentage of risk-weighted assets.

Tier 2 capital
Tier 2 capital comprises qualifying subordinated liabilities and related share premium accounts.

TLAC or Total loss absorbing capacity
An international standard for TLAC issued by the FSB, which requires G-SIBs to have sufficient loss-absorbing and recapitalisation capacity available in resolution, to minimise impacts on financial stability, maintain the continuity of critical functions and avoid exposing public funds to loss.

Transition risks
The risk of changes to market dynamics or sectoral economics due to governments' response to climate change.

UK bank levy
A levy that applies to certain UK banks and the UK operations of foreign banks. The levy is payable each year based on a percentage of the chargeable equities and liabilities on the Group's consolidated balance sheet date. Key exclusions from chargeable equities and liabilities include Tier 1 capital, insured or guaranteed retail deposits, repos secured on certain sovereign debt and liabilities subject to netting.

Unbiased
Not overly optimistic or pessimistic, represents information that is not slanted, weighted, emphasised, de-emphasised or otherwise manipulated to increase the probability that the financial information will be received favourably or unfavourably by users.

Unlikely to pay
Indications of unlikeliness to pay shall include placing the credit obligation on non-accrued status; the recognition of a specific credit adjustment resulting from a significant perceived decline in credit quality subsequent to the Group taking on the exposure; selling the credit obligation at a material credit-related economic loss; the Group consenting to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or, where relevant fees; filing for the obligor's bankruptcy or a similar order in respect of an obligor's credit obligation to the Group; the obligor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of a credit obligation to the Group.

VaR or Value at Risk
A quantitative measure of market risk estimating the potential loss that will not be exceeded in a set time period at a set statistical confidence level.

ViU or Value-in-Use
The present value of the future expected cash flows expected to be derived from an asset or CGU.

Write-downs
After an advance has been identified as impaired and is subject to an impairment provision, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write-downs will occur when, and to the extent that, the whole or part of a debt is considered irrecoverable.

XVA
The term used to incorporate credit, debit and funding valuation adjustments to the fair value of derivative financial instruments. See 'CVA', 'DVA' and 'FVA'.

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100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

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