standard chartered

Annual Report 2021

The bank for the new economy

Here for good

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

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

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

Stakeholders

Throughout this report, we use these icons to represent the different stakeholder groups for whom we create value.

Clients | Regulators and governments | Investors | Suppliers | Society | Employees

Read more on **page 21** and **pages 52 to 59**

Contents

About this report

Sustainability reporting
We adopt an integrated approach to corporate reporting, embedding non-financial information throughout our annual report. While not complying in full, in preparing this report, we have given consideration to the principles of the Global Reporting Initiative and the Sustainability Accounting Standards Board.

Further detail on these framework alignments will be available in our ESG report, to be published in Q1 2022 at **sc.com/ESGreport**

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

For more information please **visit sc.com**

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linkedin.com/company/standard-chartered-bank
facebook.com/standardchartered

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

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

Unless the context requires, within this document, 'China' refers to the People's Republic of China and, for the purposes of this document only, excludes Hong Kong Special Administrative Region (Hong Kong), Macau Special Administrative Region (Macau) and Taiwan. 'Korea' or 'South Korea' refers to the Republic of Korea.

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

Within the tables in this report, blank spaces indicate that the number is not disclosed, dashes indicate that the number is zero and nm stands for not meaningful. Standard Chartered PLC is incorporated in England and Wales with limited liability, and is headquartered in London. The Group's head office provides guidance on governance and regulatory standards. Standard Chartered PLC. Stock codes are: LSE STAN.LN and HKSE 02888.

Confidence in our Purpose and strategy

Despite external challenges, we have continued to make good progress against the strategy we set out in February 2019, and are on track to deliver our objectives (see pages 22 and 23). As highlighted in last year's report, we refreshed our 2019 strategy into four strategic priorities and three enablers focused on our aim to become a leader in global finance. In light of the pandemic, we have reviewed our strategy and are confident that it remains as relevant as ever and will enable us to realise our ambitions.

We measure our progress against Group key performance indicators (KPIs), a selection of which are below, as well as client KPIs, some of which can be found on pages 26 and 27. Our Group KPIs include non-financial measures reflecting our commitment to sustainable social and economic development across our business, operations and communities. Our Sustainability Aspirations, aligned to the UN Sustainable Development Goals (page 61), provide tangible targets to drive sustainable business outcomes.

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

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

To learn more about our Stands, see pages 24 and 25.

Financial KPIs[1]

Return on tangible equity

6.0%

↑ 300bps

Underlying basis

4.8%

↑ 390bps

Statutory basis

Common Equity Tier 1 ratio

14.1%

↓ 28bps

Above our target range of 13–14%

Total shareholder return

(2.0)%

↑

Non-financial KPIs[2]

Diversity and inclusion: women in senior roles

30.7%

↑ 1.3ppt

Sustainability Aspirations met or on track

82.9%

↑ 4.5ppt

Other financial measures[1]

Operating income

$14,713m

→

Underlying basis

$14,701m

→

Statutory basis

Profit before tax

$3,896m

↑ 55%

Underlying basis

$3,347m

↑ 108%

Statutory basis

Earnings per share

76.2cents

↑ 40.1 cents

Underlying basis

61.3cents

↑ 50.9 cents

Statutory basis

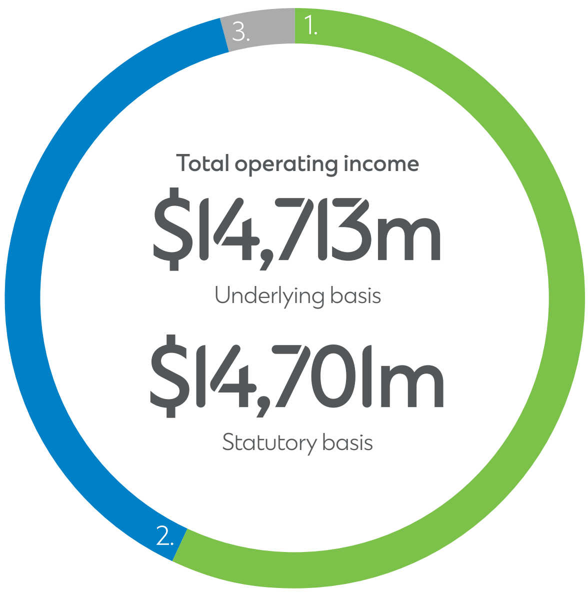
1 Reconciliations from underlying to statutory and definitions of alternative performance measures (APMs) can be found on pages 80–85

2 For more information on our culture of inclusion see page 58, and for more on our sustainability aspirations see page 61

Who we are and what we do

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

Our client segments



1.

Corporate, Commercial and Institutional Banking

Corporate, Commercial and Institutional Banking supports clients with their transaction banking, financial markets, corporate finance and borrowing needs across 49 markets, providing solutions to more than 22,000 clients in some of the world's fastest-growing economies and most active trade corridors.

Operating income

$8,407m
Underlying basis

$8,416m
Statutory basis

2.

Consumer, Private and Business Banking

Consumer, Private and Business Banking serves more than 9 million individuals and small businesses, with a focus on the affluent and emerging affluent in many of the world's fastest-growing cities.

Operating income

$5,733m
Underlying basis

$5,733m
Statutory basis

3. **Central and other items**

Operating income

$573m
Underlying basis

$552m
Statutory basis

Guiding and supporting our businesses

Global functions

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

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

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

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

Risk
Responsible for the overall second line of defence responsibilities related to risk management, which involves oversight and challenge of risk management actions of the first line.

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

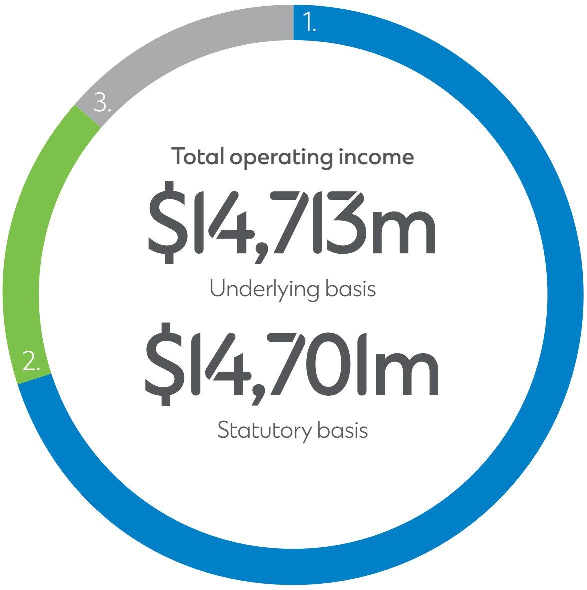
Group Chief Financial Officer
Comprises seven support functions: Finance, Treasury, Strategy, Investor Relations, Corporate Development, Supply Chain Management and Property. The leaders of these functions report directly to the Group Chief Financial Officer.

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

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

Conduct, Financial Crime and Compliance
Delivering the right outcomes for the Bank, its clients and communities by partnering internally and externally to achieve the highest standards in conduct and compliance in order to enable sustainable business and fight financial crime.

Our regions



1. Asia

We are present in 21 markets across Asia, including some of the world's fastest-growing economies. Hong Kong and Singapore are the highest income contributors.

Operating income
$10,448m
Underlying basis
$10,478m
Statutory basis

2. Africa and Middle East

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

Operating income
$2,446m
Underlying basis
$2,449m
Statutory basis

3. Europe and the Americas

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

Operating income
$2,003m
Underlying basis
$1,973m
Statutory basis

4. Central & other items

Operating income
$(184)m
Underlying basis
$(199)m
Statutory basis

Valued behaviours

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

Never settle

- Continuously improve and innovate
- Simplify
- Learn from your successes and failures

Better together

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

Do the right thing

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

Where we operate

Our unique footprint connects emerging and high-growth markets with more established economies, allowing us to channel capital where it's needed most.

These are the markets we call home. For over 160 years, we've used the power of our network to help people and businesses who trade, operate or invest in these regions. Our deep roots in our markets enable us to make things happen. We are shaping our bank to drive their success – and ours – in the new economy of the future.

What sets us apart is our diversity – of people, cultures and networks.

Asia

We have a long-standing and deep franchise across some of the world's fastest-growing economies in Asia with the region generating two-thirds of our income. The two markets contributing the highest income are Hong Kong and Singapore.

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

We are present in 59 markets and serve clients in a further 83

Case study
Asia

Innovative ESG financing

We have worked with the Baring Private Equity Asia to create the region's first environmental, social and governance (ESG)-linked subscription facility with a carbon-offset mechanism, and gender diversity KPIs.

Read more on **page 28**

Africa and the Middle East

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

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

Case study
Africa & Middle East

Growing our digital presence

As part of an ongoing online banking push, and in response to growing demand for innovative banking services, customers in Africa and the Middle East opened almost 900,000 digital accounts in 2021.

Read more on **page 29**

Europe and the Americas

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

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

Case study
Europe & Americas

Building railways in Turkey

We led on a major green financing deal for a new 200km high-speed railway line in Turkey, linking the cities of Bandirma and Osmaneli in the North, passing through Bursa and Yenişehir.

Read more on **page 30**

Group Chairman's statement

Resilience supporting sustainable growth

2021 was another year of extraordinary global turbulence, with recovery from COVID-19 a mixed picture across the globe. Many of our colleagues were adversely impacted in their personal or work lives. Even now, we continue to see new COVID-19 variants emerging and we have had to adapt to a constantly changing landscape.

Throughout this period, our colleagues around the world – led by our Group Chief Executive Bill Winters and the Management Team – have continued to focus on protecting the interests of shareholders, while ensuring the wellbeing of colleagues and supporting our customers, clients and communities. The spirit our colleagues have shown throughout, despite the often difficult circumstances, has been exemplary and I am extremely proud of how we have all come out of 2021.

Our financial performance is improving

Later in this report, Bill and Andy Halford, our Group Chief Financial Officer, will set out more detail on our financial performance as we navigated the second year of the pandemic. Overall, our results show evidence of resilience, with performance improving against a difficult backdrop.

Our underlying profit before tax at $3.9 billion, grew 61 per cent on a constant currency basis. This was supported by low levels of impairment, a return to positive income momentum in the second half of 2021 and cost control.

We have continued to invest in the future of the Group, including stepping up our innovation and technology investment, and we now have an exciting set of transformative business development opportunities and partnerships, many of which we showcased at our investor event in October.

Dr José Viñals
Group Chairman

The Group is highly liquid and well capitalised with a Common Equity Tier 1 ('CET1') ratio of 14.1 per cent. The Board has recommended a final dividend of 9 cents per share, or $277 million, with the full year dividend an increase of one-third from 2020. We have also announced a share buy-back programme and will shortly start purchasing and then cancelling up to $750 million of ordinary shares.

The Board is committed to operating within the 13 to 14 per cent CET1 ratio range and we are very clear that capital not needed to fund growth will be returned to shareholders. We have returned $2.6 billion of capital to shareholders over the last three years through a mix of dividends and share buy-backs. This included paying out the maximum amount we were authorised to in 2020 when the emerging pandemic resulted in a suspension of distributions.

We are delivering against our strategic priorities

While the pandemic brought about considerable challenges and, as a result, the turnaround is taking longer than previously anticipated, it is clear to us that the refreshed strategic priorities we set out at the start of 2021 are right. Our ambition of delivering 10 per cent return on tangible equity remains as resolute as ever and we are working to accelerate its achievement by 2024. In Bill's report the actions we are targeting are outlined, which includes active management of the Group's capital, with a target to return in excess of $5 billion in the next three years. Our strategy brings the dynamism of our markets to life in our business. Our focus is now on executing against the priorities at pace, and we are making progress on each of them.

Our **Network** and **Affluent** businesses remain key competitive differentiators, both strong generators of high-quality and higher-returning 'capital-lite' income streams.

We are transforming our ability to onboard, serve and exceed the expectations of our **Mass Retail** customers, which will help to feed our higher-margin Affluent business, as well as being a significant source of income.

Sustainability is a moral imperative and an opportunity. Our Sustainable Finance capabilities are not only making a difference where it matters the most, but also representing a growing source of income.

We are accelerating our pathway to net zero

We have long recognised climate change as one of the greatest challenges of our time, given its widespread and proven impact on the physical environment and human health, as well as its potential to hamper economic growth. The complex trade-offs which come with climate actions mean there are no simple answers. We announced our net zero roadmap in October, following extensive engagement with shareholders, clients and NGOs. The approach was reviewed and approved by the Board and included interim targets to reduce financed emissions and mobilise $300 billion in green and transition finance by 2030. Our approach emphasises the need for a just transition to net zero: the impacts of climate change are felt most severely in our footprint, and if we do not meet climate objectives in a way that recognises the need for markets across Asia, Africa and the Middle East to grow and prosper, we will fail.

Financial KPIs[1]

Underlying return on tangible equity (RoTE) %

+300bps

2021	**6.0%**
2020	3.0%
2019	6.4%

Aim Deliver sustainable improvement in the Group's profitability as a percentage of the value of shareholders' tangible equity.

Analysis Underlying RoTE of 6.0 per cent in 2021 was a 300bps improvement on 3.0 per cent in 2020.

The underlying profit attributable to ordinary shareholders expressed as a percentage of average ordinary shareholders' tangible equity

Total shareholder return (TSR) %

+32.6%

2021	**(2.0)%**
2020	(34.6)%
2019	20.2%

Aim Deliver a positive return on shareholders' investment through share price appreciation and dividends paid.

Analysis Our TSR in the full year 2021 was negative 2.0 per cent, compared with negative 34.6 per cent in 2020.

Combines simple share price appreciation with dividends paid to show the total return to the shareholder and is expressed as a percentage total return to shareholders

Common Equity Tier 1 ratio %

-28bps

2021	**14.1%**
2020	14.4%
2019	13.8%

Aim Maintain a strong capital base and Common Equity Tier 1 (CET1) ratio.

Analysis Our CET1 ratio was 14.1 per cent, above our 13-14 per cent target range.

The components of the Group's capital are summarised on page 288

1 Reconciliations from underlying to statutory and definitions of alternative performance measures (APMs) can be found on pages 80-85

Group Chairman's statement
continued

We continue to enhance our governance and culture

While the Board has been unable to meet in a number of key markets in person this year, we have stayed engaged virtually. Members of the Board attended a number of subsidiary board and committee meetings and held virtual Board-workforce engagement sessions across our regions during the course of the year. The Board hopes to be able to once again engage colleagues in person during 2022 as part of its market visits.

We recently announced several changes to our Board Committee composition, details of which can be found in the Directors' report on pages 90 to 191.

During the year, we refocused our Brand, Values and Conduct Committee to Culture and Sustainability. This Committee, chaired by Jasmine Whitbread, has been actively involved in supporting the Board and the business in relation to our net zero approach. The Board was also heavily involved in the key decisions ahead of endorsing the Group's net zero white paper, published in October ahead of COP 26.

We are taking ambitious Stands

The Group has built a unique footprint in the world's most dynamic markets, serving the people and businesses that are the engines of their growth. As the bank for the new economy, we will ensure we continue to shape our business to drive their success – and ours – for the future.

We have a huge opportunity to build a better future with our customers and communities. We believe that we can fulfil our Purpose – to drive commerce and prosperity through our unique diversity – without people being left behind, without the planet being negatively impacted, and without creating divisions that diminish our sense of community.

We're taking a set of Stands to help solve some of the world's most critical problems – lifting economic participation, helping emerging markets reduce carbon emissions, and supporting a fairer model for globalisation. As well as addressing societal challenges, we believe these long-term ambitions will stretch and motivate the Group to deliver our strategy faster and better.

We've rallied together for our communities, reaching more than 300,000 young people through our Futuremakers programme to support education, employability, and entrepreneurship across our markets during the year.

All these achievements, and more, speak to the heart and mettle of who we are. They are a testament to our valued behaviours of being Better Together, endeavouring to Do the Right Thing, and putting our best foot forward to Never Settle. These attributes, along with the resilience and adaptability of our colleagues, are critical for us. We must continue to build on our culture of excellence, which is client-centric, diverse and inclusive, to deliver on our aspirations to be truly high-performing.

Our outlook is bright despite an uncertain environment

Whilst uncertainties persist in relation to COVID-19 and the geopolitical landscape, we see plenty of opportunities that are compelling.

Global growth is expected to continue in 2022 albeit somewhat slower after the sharp recovery we saw in 2021. Asia, our largest region, is poised to remain the fastest-growing area in the world.

We expect policy support to scale back, as a number of central banks tighten policy to counter inflation leading to rising interest rates, and fiscal programmes are eased.

We continue to see accelerated change across the global business ecosystem, from the digital space, to trade flows and supply chain shifts, and these are just some of the reasons why we are excited at the prospects of the Group.

The Board will continue to oversee the task of striking the right balance between the opportunities and risks that we see. I am confident that, with the actions we have outlined to continue driving and indeed accelerating our strategic priorities, we will create long-term and sustainable value for our stakeholders.

Dr José Viñals
Group Chairman

17 February 2022

Lifting Participation

Providing financial services to Bukalapak customers

We have partnered with Indonesian e-commerce giant Bukalapak to offer digital financial services to 17.1 million micro and SME partners, and more than 110 million individual users – many of whom don't have access to banking services. The aim of the partnership is to boost financial inclusion in Indonesia and further support the country's digital economic growth.

Read more online at **www.sc.com/bukalapak**

Group Chief Executive's review

Back to growth and improving returns

Our performance in the second half of 2021, and into this year, gives us confidence that we are on track to achieve our strategic and financial objectives. We saw a return to income growth, which we believe signals the start of a sustainable recovery, and we finished the year with good business momentum in Financial Markets, Trade and Wealth Management. Good cost discipline allowed us to generate positive income-to-cost jaws in the second half of the year. Continued low levels of credit impairment have helped us increase profit by 61 per cent on a constant currency basis to $3.9 billion and deliver a return on tangible equity (RoTE) of 6 per cent.

Confidence in our overall asset quality and earnings trajectory allows us to return significant capital to shareholders: we are announcing today a $750 million share buy-back, starting imminently, together with a 12 cents per share full-year dividend, up a third on 2020. We are also committing to deliver substantial returns to investors over the next few years while managing our Common Equity Tier 1 (CET1) ratio dynamically within our 13 to 14 per cent range.

We remain liquid, well capitalised and soundly positioned for the year ahead.

Confidence in our purpose and strategy

The places Standard Chartered call home are the world's most dynamic markets, setting the pace for global growth. The people and businesses we serve, connect and partner with are the engines of the new economy of trade and innovation, and central to the transition to a fair and sustainable future. Our Purpose is to drive commerce and prosperity through our unique diversity. This infuses everything we do, connecting our strategy with opportunities to drive growth and deliver our societal ambitions.

Bill Winters
Group Chief Executive

To help us deliver our Purpose, we have defined three 'Stands', areas where we have long-term ambitions: Accelerating Zero, Lifting Participation and Resetting Globalisation. Representing some of the main societal challenges of our time, these are not separate from our strategy, but integral to delivering and accelerating it: stretching our thinking, action and leadership.

We have managed seismic changes over the last two years and these external challenges have helped us understand how we can accelerate our progress. Our strategy is as relevant now as it was pre-pandemic:

- The growth of the Affluent segment in our markets has continued apace and remains one of our greatest opportunities. Since 2018, the number of clients has increased by around 400,000 and assets under management are up $52 billion. We see opportunities to accelerate this growth through further digitisation, partnerships and investment
- The trade flows across our Network remain as vibrant as ever and our unique physical footprint enables us to serve clients as they continue to trade and expand across borders. Network income has grown by around 6 per cent annually since 2018, excluding the impact of interest rate headwinds
- The pandemic stress-tested our Mass Retail business and we have fared well. This segment is back on track, and we see opportunities to develop it further with our range of proven digital capabilities and growing list of exciting partnerships. In 2021, our Credit Cards and Personal Loans business returned to profitability with a strong improvement in the cost-to-income ratio
- Our Sustainability agenda and thought and action leadership remains a key priority as the world continues to face significant environmental and climate challenges. We see this as both an imperative and an opportunity. We are determined to deliver on our plans – to reach net zero in our operations by 2025 and in our financed emissions by 2050. This year we announced interim targets to reduce financed emissions by 2030 in the most carbon-intensive sectors. To provide transparency and support collective learning, we published a detailed white paper outlining our methodology and approach. We are also focused on accelerating growth in Sustainable Finance , with plans to mobilise $300 billion in green and transition finance by 2030 and we are strengthening our sustainability capabilities in our Consumer, Private and Business Banking (CPBB) business

The long-term fundamentals of the markets in which we operate have not changed. These markets, notably China and other markets in Asia, will drive future global economic growth over the coming decades. We are confident we have the right strategy to capture the opportunities that will arise from those trends, and we can see evidence that it is working.

Taking action to simplify, focus and accelerate our path to 10 per cent RoTE

When we presented the Group's refreshed strategy to the market in February 2019, we set out our plan to deliver 10 per cent RoTE by 2021. In the year that followed we grew income and RoTE. But COVID-19 triggered an economic downturn and related reduction in interest rates, inevitably squeezing our margins and reducing income and returns sharply.

Against this backdrop, we have not achieved the returns we seek for investors. With this in mind, we have conducted a comprehensive review of our business model and strategy. There are many areas where we have made good progress in recent years despite the pandemic, including returning CPBB to profitability in China and Korea, almost trebling the cumulative operating profit from our four large optimisation markets and releasing around $15 billion of RWA through exits, including the sale of our Permata joint venture. But we concluded that we must make changes to accelerate our path to 10 per cent RoTE by 2024. We will accelerate our execution and are implementing plans to simplify our business and sharpen our focus on where we are most differentiated. By 2024 we are targeting:

- About a 160-basis point improvement in Corporate, Commercial and Institutional Banking (CCIB) income return on risk-weighted assets (RWA) through optimisation and mix changes, enabled by a $22 billion reduction in RWA from exits and efficiencies combining to hold CCIB RWA at 31 December 2021 levels
- A cost-to-income ratio in CPBB around 60 per cent, down from 76 per cent in 2021, achieved by growing income and executing a $500 million business expense reduction programme
- A $300 million investment into our China-related businesses to capture the opportunity from China's continued opening and doubling its profit contribution. Our positioning in China has never been better and the opportunities for us never more attractive
- $1.3 billion of gross cost efficiencies to help offset inflation, create room for continued investment and maintain positive jaws of 2 per cent per year on average, excluding interest rate rises
- Active management of the Group's capital position with a cumulative capital return in excess of $5 billion equating to a fifth of our current market capitalisation and more than double the amount of the previous three years

Cash investment

$1.9bn

↑19%

Network income

$4.6bn

↑3%

Number of active Affluent Clients

2.1 million

↑7%

Group Chief Executive's review
continued

As well as these five measures, we have an overarching objective to improve returns in markets and business lines which are not meeting our financial objectives and to continue to simplify the management of the Group. We review these questions regularly and will take actions as appropriate. For example, we recently announced the merger of the Technology and Operations functions into one global organisation, simplifying the structure and driving synergies.

Our actions are designed to amplify the positive impact of the improving outlook

The macro-economic environment remains important to the delivery of our financial ambitions. By the end of 2021 falling rates over the last two years have driven a greater than $2 billion reduction in net interest income which we have been working hard to replace. With the interest-rate cycle showing signs of turning, and given our positive gearing to US-dollar rates, we should recover this lost income.

We have said that we expect the Group's metabolic rate of income growth to be 5-7 per cent. This reflects our strong and improving market positioning and average GDP growth across our footprint where Asia is expected to outpace growth in the rest of the world by around 2 per cent over the next three years.

The specific asset and revenue pools that we are targeting with our strategy are also growing. By 2025, Asia Affluent assets and the Asia, Africa and Middle East Mass Retail revenue pool are expected to grow annually by 9 per cent and 7 per cent, respectively, compared to 6 per cent and 5 per cent, respectively, for the rest of the world.

In addition to our metabolic income growth rate, we expect that interest rate rises could add about a further 3 per cent, driving average income growth rates of 8-10 per cent to 2024, accelerating the achievement of our returns aspirations.

The improvements in external conditions, however, are not guaranteed and substantial uncertainties persist, in particular regarding geopolitical tensions and the evolution of inflation and interest rates. As such, we are fully committed to taking the operational actions outlined above to underpin attainment of double-digit RoTE.

Confident in the future

We are confident we can deliver our strategy, building on the significant progress we have made over the past several years and the momentum we have coming into 2022.

Whilst uncertainty persists in relation to COVID-19, we also see significant opportunities emerging:

- Government and Central Bank policies are in transition, creating volatility that can benefit our capital-lite Financial Markets and Wealth Management businesses
- Accelerated trade flows and supply chain shifts across our footprint markets are increasing the demand for Trade solutions
- Sustainability is critical and an increasing priority for both clients and governments – and we are uniquely positioned to support them
- Our clients are accelerating their pivot to digital with increasing willingness and desire for digital-first banking
- China is opening up at an accelerating pace, supporting the opportunities for which we have positioned for the past decade
- Expected interest rate rises could add significant further upside to our income growth rate

Outlook

The Group remains in great shape and in an enviable position. We exit the second year of the pandemic rooted in markets with strong growth prospects. We have the right strategy, business model and ambition to deliver on this potential. We have shown a resilient financial performance in 2021 and have set out clear actions to achieve a RoTE of 10 per cent by 2024.

Finally, I would like to highlight the remarkable efforts of our 82,000 colleagues again this year. Their commitment and endurance in challenging circumstances has delivered a seamless service to our customers and communities that we serve.

Bill Winters
Group Chief Executive

17 February 2022

Management Team

1. **Bill Winters**
   Group Chief Executive
2. **Andy Halford**
   Group Chief Financial Officer
3. **Simon Cooper**
   CEO, Corporate, Commercial & Institutional Banking and Europe & Americas
4. **Claire Dixon**
   Group Head, Corporate Affairs, Brand and Marketing
5. **David Fein**
   Group General Counsel
6. **Dr Michael Gorriz**
   Group Chief Information Officer
7. **Judy Hsu**
   CEO, Consumer, Private and Business Banking
8. **Benjamin Hung**
   CEO, Asia
9. **Tanuj Kapilashrami**
   Group Head, Human Resources
10. **Sunil Kaushal**
    CEO, Africa & Middle East
11. **Roel Louwhoff**
    Chief Digital, Technology & Innovation Officer
12. **Tracey McDermott, CBE**
    Group Head, Conduct, Financial Crime and Compliance
13. **Mark Smith**
    Group Chief Risk Officer
14. **David Whiteing**
    Group Chief Operating Officer
15. **Alison McFadyen***
    Group Head, Internal Audit
16. **Mary Huen****
    CEO, Hong Kong and Cluster CEO for Hong Kong, Taiwan and Macau

* Alison represents Group Internal Audit as an invitee at Management Team meetings

** Mary is not a person discharging managerial responsibilities under the UK Market Abuse Regulation

Market environment

Macroeconomic factors affecting the global landscape

Global macro trends

Trends in 2021

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

Outlook for 2022

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

Medium- and long-term view

Legacy of COVID-19

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

Broader global trends

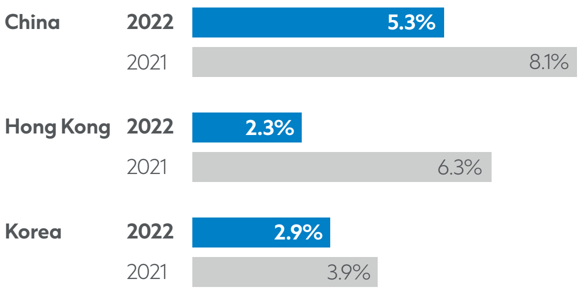
- The world economy could see a permanent loss of economic output or 'scarring' due to the recession that followed the pandemic. This would make it harder for emerging markets to catch up with developed markets
- COVID-19 has accelerated the pace of digitalisation of economies. Higher capex and moves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

Regional outlook

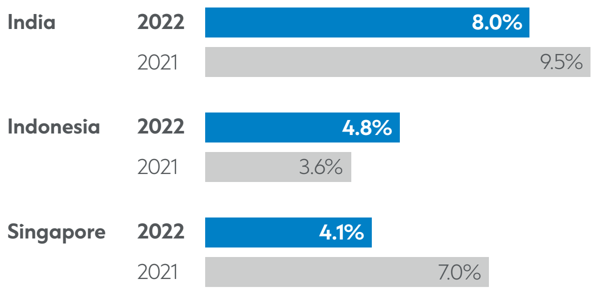
Asia

China's economy staged a V-shaped recovery from COVID-19 due to relatively effective virus control and policy support

Actual and projected growth by market in 2021 and 2022 %



Actual and projected growth by market in 2021 and 2022 %



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

See our regional performance on **page 28**

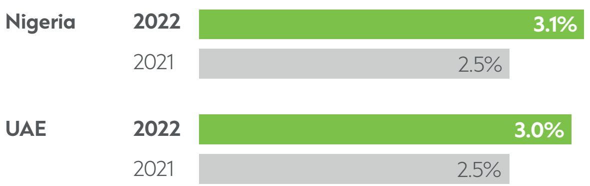
Market environment
continued

Regional outlook continued

Africa and the Middle East

A gradual recovery in sub-Saharan Africa was recorded in 2021

Actual and projected growth by market in 2021 and 2022 %



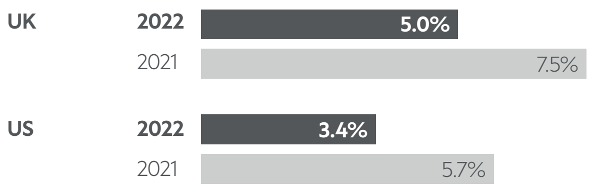
- We expect the continuation of a modest economic recovery in the sub-Saharan Africa (SSA) region, with our coverage economies growing at an average of 3.1 per cent in 2022, from c.3.8 per cent in 2021
- Although the pace of vaccine administration has been slower in SSA compared with elsewhere, economic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

See our regional performance on **page 29**

Europe and the Americas

Growth in Europe and the Americas strengthened in 2021 as vaccination programmes rolled out

Actual and projected growth by market in 2021 and 2022 %



- Growth in Europe and the Americas is likely to slow in 2022 as output gaps shrink and policy support is gradually eased back
- COVID-19 will still present risks in early 2022 given the threat of new variants, and as booster vaccine programmes will take time to fully roll out, but supply chain disruptions (along with higher energy costs and potential shortages in Europe) will be the major headwind to growth
- We expect inflationary pressures to remain high at least through H1 2022, but disinflation should kick in heading into H2
- A further escalation in tensions between Russia and Ukraine and the potential introduction of sanctions could have a negative impact on European economies and banks
- The Fed is likely to begin hiking rates by Q1 2022, and raise rates four times in 2022- taking the Fed Funds rate higher by 100 bps. The European Central Bank (ECB) is likely to begin rate hikes in H2-2022. Both the Fed and ECB are in the process of tapering their asset purchase programmes
- The trade environment is likely to continue improving, but there are risks to the EU–UK trade agreement amid a broader rise in political tensions
- In Latin America, we expect growth to moderate in 2022 as domestic demand normalises, while exports are expected to remain strong amid high commodity prices and improved supply-side constraints

See our regional performance on **page 30**

Direct access to relationship managers with My RM

To give our Singapore-based affluent clients the service they want, when they need it, we launched the My RM app. The app allows clients to interact with their relationship managers via text messages or audio calls, as well as authorising investment transactions. The tool is one part of a wider upscaling of our Affluent business in Singapore, where there are plans to double the current number of relationship managers.

Read more online at
www.sc.com/sg/myrm

Business model

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

Our business

Corporate, Commercial and Institutional Banking (CCIB)

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

Consumer, Private and Business Banking (CPBB)

We support small businesses and individuals, from Mass Retail clients to affluent and high-net-worth individuals, both digitally and in person.

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

Our products and services

Financial Markets

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

Transaction Banking

- Cash management
- Trade finance
- Working capital

Wealth Management

- Investments
- Insurance
- Wealth advice
- Portfolio management

Retail Products

- Deposits
- Mortgages
- Credit cards
- Personal loans

How we generate returns

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

Income

- Net interest income
- Fee income
- Trading income

Profits

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

Return on tangible equity

- Profit generated relative to tangible equity invested

What makes us different

Our Purpose is to drive commerce and prosperity through our unique diversity – this is underpinned by our brand promise, Here for good. Our Stands – aimed at tackling the world's biggest issues – Accelerating Zero, Lifting Participation and Resetting Globalisation (see pages 24–25 for more), challenge us to use our unique position to help.

Client focus

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

Distinct proposition

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

Robust risk management

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

Sustainable and responsible business

We are committed to sustainable social and economic development across our business, operations and communities.

How we are shaping our future

We are continuously looking for ways to improve our business model to accelerate returns

In January 2021, we further streamlined our CCIB segment, integrating our Corporate Finance and Financial Markets businesses. The integration will create a simplified origination and distribution engine driving balance sheet velocity and an improved client offering.

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

Going forward, we aim to deliver a Return on Tangible Equity (RoTE) of around 10 per cent by 2024, by focusing on driving improved returns in CCIB, transforming profitability in CPBB, seizing opportunities in China, improving efficiency through creating operational leverage and delivering sustainable shareholder distributions.

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

Business model
continued

The sources of value we rely on

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

How we are enhancing our resources

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

- More than 18,000 colleagues have completed learning courses in 2021 to build the future skills that we need – including analytics, data, digital, cyber security and sustainable finance.
- We continue to create a work environment that supports resilience, innovation and inclusion, with ongoing focus on mental, physical, social and financial wellbeing. This includes rolling out hybrid working across our markets.

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

Consumer[1] client satisfaction metric

34.7%

- In 2021 we became a digital-first brand, reflecting the innovation driving our business forward. Our refreshed identity is modern and agile, demonstrating our commitment to staying relevant to our clients' evolving needs.
- We have been successful in leveraging our brand and insights to support business growth. The Group successfully improved its reputation in 2021, exceeding the average score for the banking sector, and ranking top three in the majority of our key markets over 2021.

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

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

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

- We continue to support small and medium businesses (SMEs), providing them with much-needed funding to restart and grow their businesses amid the reopening of economies. Overall, we granted over $3 billion in new loans to SMEs in 2021.
- We increased our focus on SMEs participating in the New Economy, in particular those that are part of e-commerce ecosystems.

Financial strength
With $828 billion in assets on our balance sheet, we are a strong, trusted partner for our clients.

CET1 capital

$38bn

- Strong capital and a much more resilient balance sheet with growth in high-quality deposits
- CET1 ratio at 14.1 per cent, above the Group target range of 13–14 per cent

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

- We value engineering excellence. Over 10,000 engineers globally are creating a best-in-class and scalable technology stack, to support quick turnaround of ideas into service.
- We are accelerating our move to cloud, migrating key applications, e.g. our core banking system and new digital ventures.
- We adopt next-generation technologies to better serve our customers, improve efficiencies and deliver new business opportunities.

1 Excludes CCIB, private bank and business banking clients

Read more on stakeholder engagement on **pages 51 to 59**

The value we create

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

Clients

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

Total active individual clients

9.5m

2020: 9.6m

Total CCIB and business banking clients

234,000

2020: 255,000

Suppliers

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

Total spent in 2021

$4.1bn

2020: $3.8bn

Active suppliers

12,100

2020: 12,900

Employees

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

Senior appointments which are internal

69%

2020: 62%

Employees committed to our success

96%

2020: 97%

Regulators and governments

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

Taxes paid in 2021

$1.2bn

2020: $971m

Society

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

Community investment

$48.7m

2020: $95.7m

Investors

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

Dividends declared in 2021

$370m

2020: $284m

Our strategy

To become a leader in global finance

Over the past year, we have conducted a bottom-up review of our strategy. While there are areas we identified that we will particularly focus on in the future, such as faster tackling of low-returning risk-weighted assets (RWA) in Corporate, Commercial and Institutional Banking (CCIB), further simplifying the way we operate, and being even more aggressive in transforming our business processes and generating additional savings, we still believe our strategy is the right one. We have made good progress in the year, and are on track to deliver our objectives.

Going forward, we remain committed to achieve our ambitions by 2025:

- To be the number one Wholesale digital banking platform
- To be among the top three Affluent brands
- To double our Mass presence
- To become a market leader in Sustainability

We will continue to increase focus on:

- Four strategic priorities: Wholesale Network business, Affluent client business, Mass Retail business, and Sustainability
- Three critical enablers: People and Culture, New Ways of Working, and Innovation

We are anchoring our strategic priorities and enablers in our three Stands: Accelerating Zero, Lifting Participation and Resetting Globalisation. Throughout this section, we will highlight the linkages between our strategic priorities and our Stands.

More details on our Stands can be found on pages 24 and 25.

Strategic priorities

Wholesale Network business

Through our unique network, we facilitate investment, trade and capital flows, providing a starting point in achieving our Stand of Resetting Globalisation. We have also started on our journey towards our Stand of Accelerating Zero, by focusing on Sustainable Finance.

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

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

CCIB network income

$4.6bn

2020: $4.4bn

Percentage of CCIB transactions digitally initiated

51%

2020: 41%

Affluent client business

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

As a leading international wealth manager in Asia across the Affluent continuum with $250 billion AUM, we are:

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

Affluent client income

$3.6bn

2020: $3.5bn

Affluent active clients

2.1m

2020: 2.0m

Mass Retail business

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

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

- Transforming to a digital-first model and building enablers to be the partner of choice to leading global and regional companies
- Enhancing our value proposition and deepening our capabilities across digital sales and marketing as well as data and analytics
- Growing the share of our Mass Retail client income from new innovative business models

Mass market active clients

7.4m

2020: 7.6m

Percentage of digital sales for Retail Products

74%

2020: 69%

Sustainability

In Sustainability, we continue to focus on sustainable and transition finance, supporting our Stand of Accelerating Zero. We provide access to finance, networks and training to young people, supporting our Stand of Lifting Participation of communities across our network. We support companies in improving environmental, social and governance standards, in line with our Stand of Resetting Globalisation.

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

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

Sustainability Aspirations achieved or on track

82.9%

2020: 78.4%

Reduction in carbon footprint from previous year

27%

2020: 37%

People and Culture

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

- Expanding hybrid working across our footprint, with 73 per cent of colleagues across 28 markets already on hybrid working arrangements in 2021
- Embedding our refreshed approach to performance, reward and recognition that puts greater focus on outperformance through collaboration and innovation
- Increasing re-skilling and upskilling opportunities towards future roles that are aligned with the business strategy and individuals' aspirations
- Focusing on wellbeing to enhance individual resilience, productivity and performance

Culture of inclusion score

80.65%

2020: 81.67%

Women in senior roles

30.7%

2020: 29.5%

New Ways of Working

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

Average time taken from approval to technology go-live

7.6 weeks

2020: 12.0 weeks

Consumer[1] client satisfaction metric

34.7%

2020: 29.5%

Innovation

We have a three-pronged innovation approach to transform the Bank, to achieve our goal of 50 per cent income from new businesses[2].

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

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

Percentage of revenue from new businesses[2]

~15%

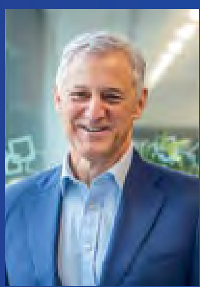
2020: N.A.

1 Excludes CCIB, private bank and business banking clients

2 Income from digital initiatives, innovation and transformation of the core, the majority of which will come from new and upgraded platforms and partnerships, supplemented selectively by new business ventures

Our Stands

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



Left
José Viñals
Group Chairman

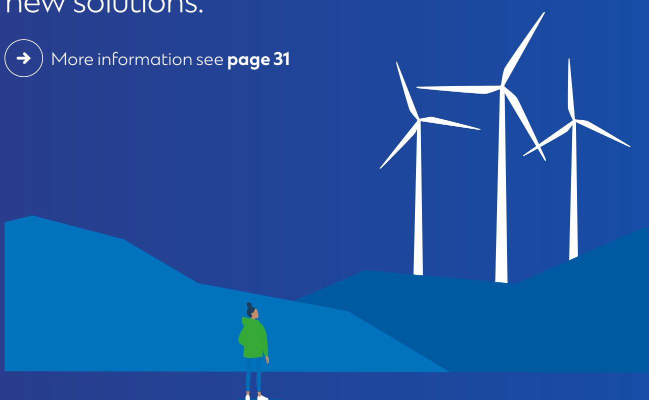
Right
Bill Winters
Group Chief Executive

- We have defined three Stands – which is our name for long-term ambitions on societal challenges
- These are not separate from our strategy. They are integral to delivering and accelerating our strategy, because they will stretch our thinking, our action and our leadership
- We will use our unique abilities to connect the capital, people and ideas needed to address the significant socio-economic challenges and opportunities of our time
- Each of these Stands impacts how we engage with our clients and define the future of our societies
- We have already made significant progress and we will be setting long-term goals as we deliver near-term change
- This is not philanthropy; we will drive scalable, sustainable commercial growth and transform our franchise. You will see us increasingly active in these areas

Accelerating Zero

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

More information see **page 31**



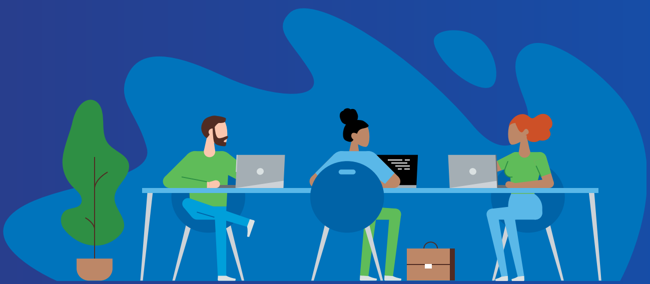
- The world needs to reach net zero by 2050 or face a climate catastrophe with increasing extreme weather events and climate-induced migration
- We have a unique role to play in facilitating a just transition to net zero carbon where it matters most: across Asia, Africa and the Middle East
- We aim to reduce the emissions associated with our financing activities to net zero by 2050, with 2030 interim targets in our most carbon-intensive sectors. We aim to reduce absolute financed thermal coal-mining emissions by 85 per cent by 2030, in addition to a prohibition on financing new or expanding coal-fired power plants, and revenue-based carbon intensity (see page 466 for definition) of 63 per cent for power, 33 per cent respectively for steel and mining (excluding thermal coal mining) and 30 per cent for oil and gas
- We aim to catalyse finance and partnerships to scale impact, capital and climate solutions to where they are needed most, including a plan to mobilise $300 billion in green and transition finance between 2021 and 2030
- We aim to accelerate new solutions to support a just transition in our markets, including a new dedicated Transition Acceleration Team to support clients in high-emitting sectors, and launch sustainable products
- We aim to reach net zero carbon emissions from our own operations by 2025

Stand up to climate change

Lifting Participation

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

More information see **page 9**



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

Stand up for equal access to financial support for women and small businesses

Resetting Globalisation

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

More information see **page 49**

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

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

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

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

Specifically, we aim to:

- Increase transparency across supply chains to enable consumer choice and drive responsible trade
- Bring enhanced levels of security, tracking and confidence to financial activity
- Provide access to the best and most innovative solutions to private and public sector
- Make global trade more equitable by improving access to finance for smaller suppliers that often lack adequate financing

We stand for a new model of globalisation based on transparency, inclusion and dialogue

Corporate, Commercial and Institutional Banking

KPIs

Profit before taxation[1]

$3,124m

↑57%
underlying basis

$3,010m

↑70%
statutory basis

Return on tangible equity (RoTE)[1]

9.6%

↑370bps
underlying basis

9.3%

↑410bps
statutory basis

Risk-weighted assets (RWA)

$163bn

↓$2bn

Proportion of low-returning client RWA

↓17.8% of RWA

2021	**17.8%**
2020	19.5%
2019	nm*

Aim: Reduce perennial sub-optimal RWA[2] and bring down the proportion of low-returning client RWA.

Analysis: Our perennial sub-optimal RWA has reduced 49.6 per cent year-on-year. The proportion of low-returning client RWA decreased from 19.5 per cent in 2020 to 17.8 per cent in Nov 2021, driven by RWA optimisation efforts undertaken.

* Not meaningful due to segments integration

Capital-lite[3] income as a share of total income

42% share of total income[4]

2021	**42%**
2020	45%
2019	50%

Aim: Reshape the income mix towards capital-lite income.

Analysis: Share of capital-lite income decreased slightly to 42 per cent in 2021 due to the low interest rate environment, mitigated by strong growth in liabilities.

New digital portal launch with Demica

In October, we partnered with fintech specialist Demica to transform access to the Bank's supplier finance programmes, allowing easier enrolment for thousands of suppliers through an online portal. The portal helps suppliers enrol in supply chain finance programmes by using a digital front-end while providing our team the ability to reach out to a larger supplier base. This is the first phase of a strategic partnership between Standard Chartered and Demica and we are looking for new ways to use technology to transform our working capital solutions.

Segment overview

Corporate, Commercial and Institutional Banking supports clients with their transaction banking, financial markets, corporate finance and borrowing needs across 49 markets. We provide solutions to more than 22,000 clients in some of the world's fastest-growing economies and most active trade corridors.

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

We are committed to sustainable finance, delivering on our ambition to increase support and funding for financial products and services that have a positive impact on our communities and the environment and support sustainable economic growth.

Strategic priorities

- Deliver sustainable growth for clients by leveraging our network to facilitate trade, capital and investment flows across our footprint markets
- Generate high-quality returns by improving funding quality and income mix, growing capital-lite[3] income and driving balance sheet velocity while maintaining disciplined risk management
- Be the leading digital banking platform, providing integrated solutions to cater to our clients' needs and enhance client experience, and partnering with third parties to expand capabilities and access new clients
- Accelerate our sustainable finance offering to our clients through product innovation and enabling transition to a low-carbon future

Progress

- Our underlying income driven by diversified product suite and expanded client solutions despite the low interest rate environment. Our network income currently contributes to 54 per cent of total CCIB income
- Improved balance sheet quality with investment-grade net exposures representing 64 per cent of total corporate net exposures (2020: 51 per cent) and high-quality operating account balances stable at 63 per cent of Transaction Banking and Securities Services customer balances (2020: 64 per cent)
- Migrated more than 65,000 client entities to our S2B[5] NextGen platform and increased S2B cash payment transaction volumes by 17 per cent
- We are one-third of the way towards developing our $1 billion income sustainable finance franchise

Performance highlights

- Underlying profit before tax of $3,124 million up 57 per cent, primarily driven by credit impairment releases, partially offset by lower income and higher expenses
- Underlying operating income of $8,407 million down 1 per cent mainly due to lower Cash Management income impacted by a low interest rate environment and lower Macro Trading income on the back of lower market volatility and tighter spreads, partially offset by strong performance in Credit Market and Trade
- Good balance sheet momentum with total assets up 5 per cent, of which loans and advances were up 11 per cent
- Underlying RoTE increased from 5.9 per cent to 9.6 per cent

1 Reconciliations from underlying to statutory and definitions of APMs can be found on pages 80–85
2 Perennial sub-optimal clients are clients who have returned below 3 per cent RoRWA for the past three years
3 Capital-lite income refers to products with low RWA consumption or of a non-funded nature. This mainly includes Cash Management and FX products
4 Prior periods KPIs have been restated following a reorganisation of certain clients across client segments
5 Our next-generation Transaction Banking digital platform

Consumer, Private and Business Banking

KPIs

Profit before taxation[1]

$1,071m

↑51%
underlying basis

$836m

↑29%
statutory basis

Return on tangible equity (RoTE)[1]

10.2%

↑330bps
underlying basis

7.9%

↑160bps
statutory basis

Risk-weighted assets (RWA)

$51bn

↓$2bn

Digital adoption
↑63% of clients

2021	**63%**
2020	61%
2019	54%

Aim: Align the Group's service to how clients want to interact and increase efficiency by reducing the amount of manual processing.

Analysis: Online applications have continued to grow with the proportion of Retail Banking clients that are digital-active up from 60 per cent in 2020 to 63 per cent at the end of 2021.

Affluent assets under management
↑6%

2021	**6%**
2020	7%
2019	11%

Aim: Affluent assets under management – grow and deepen client relationships, improve investment penetration and attract new clients

Analysis: Assets under management stand at $250 billion in 2021, delivering growth of 6 per cent

Partnering with Kredivo on digital loans

We partnered with Indonesian credit platform Kredivo to offer digital cash loans and 'buy now, pay later' to aid financial inclusion. The loans, which are available for Mass Retail, do not need to be verified face-to-face and make use of Kredivo's AI-driven credit scoring. The partnership facilitates access to credit and supports the growth of e-commerce as well as offline retailers.

1 Reconciliations from underlying to statutory and definitions of APMs can be found on pages 80–85

Segment overview

Consumer, Private and Business Banking serves more than 9 million individuals and small businesses, with a focus on the affluent and emerging affluent in many of the world's fastest-growing cities. We provide digital banking services with a human touch to our clients, with services spanning across deposits, payments, financing products and Wealth Management. Private Banking offers a full range of investment, credit and wealth planning products to grow, and protect, the wealth of high-net-worth individuals. We also support our clients with their business banking needs.

We are closely integrated with the Group's other client segments; for example, we offer employee banking services to Corporate, Commercial and Institutional Banking clients, and Consumer, Private and Business Banking also provides a source of high-quality liquidity for the Group.

Increasing levels of wealth across Asia, Africa and the Middle East support our opportunity to grow the business sustainably. We aim to uplift client experience, improving productivity by driving digitalisation and cost-efficiencies, and simplifying processes.

Strategic priorities

- Leading international Affluent franchise known for outstanding personalised wealth advice and exceptional client experience across our top 10 markets
- A single wealth continuum platform with distinctive segment value propositions to maximise client relationships
- Profitable Personal Banking franchise enabled by partnerships, data and digital infrastructure
- Digital-led, personalised and contextual client engagement augmented by seamless omnichannel experience
- New ways of working as standard approach, for faster, better, more agile execution
- Strategic and transformative investment decisions delivering synergies and consistent client experience, aligned across markets

Progress

- Launched Wealth Management Connect to capture northbound and southbound transactions for Greater Bay Area investors
- Introduction of the Standard Chartered-INSEAD Wealth Academy, which aims to upskill the knowledge of all relationship managers and wealth specialists
- Increase in digital sales, up over 12 per cent driven by investments prioritised to grow digital sales in Personal
- Personal 'scale through automation' transformation accelerated by acquiring customers from partnerships, engaging and cross-selling digitally, and servicing them through low-cost channels
- Launch of new partnerships with Home Credit in Vietnam and Kredivo in Indonesia. Our Atome partnership went live in Indonesia and will go live across our footprint in 2022

Performance highlights

- Underlying profit before tax of $1,071 million was up 51 per cent driven by higher income and lower credit impairments
- Expenses were up 3 per cent (up 2 per cent constant currency) or well-managed and broadly flat constant currency excluding our investments in ventures
- Underlying operating income of $5,733 million was up 1 per cent (flat constant currency). Asia was up 1 per cent and Africa and the Middle East was up 2 per cent
- Strong income momentum growth from Mortgages up 38 per cent and credit cards and personal loans up 5 per cent with improved margins and balance sheet growth and 12 per cent growth in Wealth Management. These were offset by Deposit margin compression, impacted by a lower interest rate environment
- Underlying RoTE increased from 6.9 per cent to 10.2 per cent

Asia

Profit before taxation

$3,116m

↑11%
underlying basis

$2,830m

↑7%
statutory basis

Risk-weighted assets (RWA)

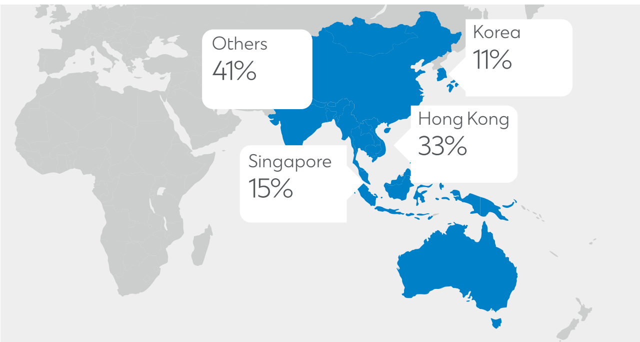
$170bn

↓$4bn

Loans and advances to customers

Asia
72% of Group

Income split by key markets



Breaking boundaries with the Baring Asia Private Equity Fund

In 2021, we worked with the Baring Asia Private Equity Fund to create the region's first ESG-linked subscription facility with a carbon-offset mechanism, worth up to $3.2 billion. Under the terms, any investments made must meet ESG-linked criteria; if the criteria are not met, the client will purchase carbon offsets. The deal is also the first of its kind to include gender diversity KPIs as part of its investment criteria.

Region overview

The Asia region has a long-standing and deep franchise across the markets and some of the world's fastest-growing economies. The region generates over two-thirds of the Group's income from its extensive network of 21 markets. Of these, Hong Kong and Singapore contributed the highest income, underpinned by a diversified franchise and deeply rooted presence.

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

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

Strategic priorities

- Leverage our network strength to serve the inbound and outbound cross-border trade and investment needs of our clients, particularly across high-growth corridors e.g. China–ASEAN
- Capture opportunities arising from China's opening, including the Greater Bay Area (GBA), Renminbi, Belt and Road initiative, onshore capital markets and mainland wealth
- Strengthen our market position in Hong Kong and Singapore, and reshape our Korea, India and Indonesia franchises to improve returns
- Turbocharge our Affluent and Wealth Management businesses through differentiated propositions and service
- Continue to invest in technology, digital capabilities and partnerships to enhance client experience and build scale efficiently
- Support clients in their sustainable finance and transition needs

Progress

- China business has grown significantly, almost doubling underlying operating profit, driven by Wealth Management, Financial Markets, Trade and unsecured products. The income we have booked from clients based in China has grown 9 per cent and China remains the Group's largest network income originator
- Hong Kong and Singapore, the highest income contributors in our region, have delivered strong underlying income growth driven by Wealth Management, mainly from Affluent clients and Financial Markets, partly offset by continued margin compression. Our digital agendas have progressed; and our virtual bank Mox currently has a 25 per cent market share of deposits among virtual banks in Hong Kong. Singapore is currently exploring a digital bank venture, which will allow us to expand our reach and touchpoints in the country. We have successfully created an ASEAN hub in Singapore, consolidating our subsidiaries in Malaysia, Thailand and Vietnam
- We continue to invest in the GBA. We are among the first batch of banks to launch Wealth Management Connect, we successfully completed our GBA Centre to better support CCIB and CPBB clients, and we are progressing with our sustainable finance platform build
- Korea and India have delivered strong growth in underlying profit before tax of 12 per cent and 53 per cent, driven by progress in CPBB and continued focus on branch optimisation and productivity

Performance highlights

- Underlying profit before tax of $3,116 million was up 11 per cent, mainly due to lower credit impairment charges, partially offset by higher expenses as we continue to invest in our strategic initiatives
- Underlying operating income of $10,448 million was up 1 per cent (down 1 per cent constant currency). Strong Financial Markets, Lending, Mortgages and Wealth Management growth, partly offset by lower trading income from lower market volatility
- Loans and advances to customers were up 11 per cent mainly from strong growth in Mortgages and Corporate Lending. Customer accounts were up 6 per cent, with strong growth in retail current and savings accounts and Transaction Banking cash balances
- RWA decreased by $4 billion from continued focus on RWA optimisation and partly from a model change benefit in Korea

Africa and the Middle East

Profit before taxation

$856m

↑ $843m
underlying basis

$831m

↑ $906m
statutory basis

Risk-weighted assets (RWA)

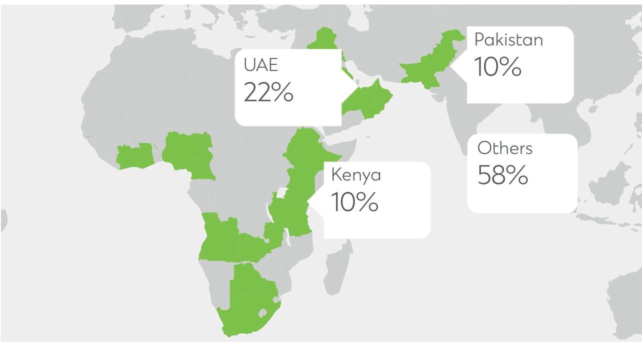
$49bn

↓ $2bn

Loans and advances to customers

Africa & Middle East
7% of Group

Income split by key markets



Digital banking grows across Africa and the Middle East

Our digital banking initiatives in Africa continued to grow in 2021 as we gained 860,000 customers, almost doubling our existing base across the continent. Our digital bank customer deposits grew 43 per cent to $189 million and we launched digital banking in Pakistan – bringing the number of markets where we offer our services to 10.

Region overview

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

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

Positive macro-trends (oil, commodity and UAE property prices) are driving market opportunities, but challenges and uncertainties exist in the near term. We're confident that the opportunities in the region will support long-term sustainable growth for the Group. We continue to invest selectively and drive efficiencies

Strategic priorities

- Provide best-in-class structuring and financing solutions and drive creation through client initiatives
- Invest to accelerate growth in differentiated international network and Affluent client businesses
- Invest in market-leading digitisation initiatives in CPBB to protect and grow market share in core markets, continue with our transformation agenda to recalibrate our network and streamline structures
- Be an industry leader in the transition to net zero across the region

Progress

- We have strengthened our footprint with a new branch in Saudi Arabia in 2021
- Our role leading several marquee transactions across the region reflects our strong client franchise. We continue to be the market leader in bond issuance and Islamic Sukuk and achieved our highest-ever debt capital markets notional volumes
- Our Project and Export Finance team closed more than $2 billion in sustainable finance deals in the region, which includes one of the largest waste to energy projects globally and one of the largest single-site solar projects in the world
- Our digital transformation initiatives in Africa are bearing fruit: 98 per cent of client acquisitions and 80 per cent servicing is done digitally. Digital bank customer deposits grew 43 per cent to $189 million, and through cross-selling they are increasingly taking up other wealth, insurance and lending products. A major milestone was achieved with the first phase of the digital bank launched in Pakistan in December 2021
- Strong Financial Markets and Wealth Management momentum; Financial Markets income was up 9 per cent and was at the highest level in five years; and Wealth Management income grew 23 per cent and was at the highest level since 2015
- Continuing cost discipline has allowed investments to continue through the cycle. The number of branches decreased by 20 per cent and headcount was 12 per cent lower

Performance highlights

- Underlying profit before tax of $856 million was the highest since 2015 and was driven by reduced credit impairment, higher income and lower expenses
- Significant turnaround in UAE with a return to profitability in 2021
- Underlying operating income of $2,446 million was up 3 per cent (up 5 per cent constant currency) mainly due to growth in Financial Markets and Wealth Management. Income was up 7 per cent (up 9 per cent constant currency) in Africa, while it was flat across Middle East, North Africa and Pakistan
- Loans and advances to customers were down 6 per cent and customer accounts were up 8 per cent

Europe and the Americas

Profit before taxation

$644m

↑67%
underlying basis

$575m

↑69%
statutory basis

Risk-weighted assets (RWA)

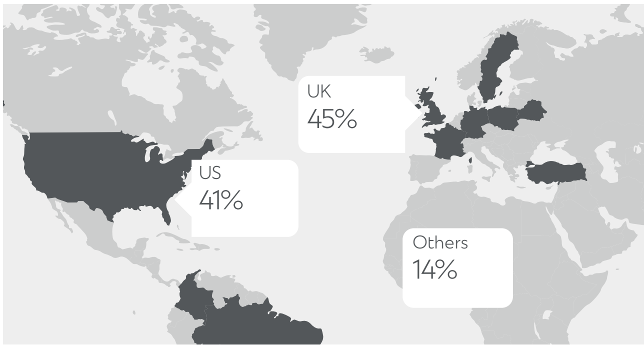
$50bn

↑$5bn

Loans and advances to customers

Europe & Americas
21% of Group

Income split by key markets



Helping build high-speed railways in Turkey

In December 2021, we led on a landmark €1.24 billion green financing package to develop a new high-speed railway line in Turkey. The 200km-long railway track will link the cities of Bandırma and Osmaneli in the northwest of the country, passing through Bursa and Yenişehir. This transaction, undertaken for the Ministry of Treasury and Finance in Turkey, is the first of its kind for the client.

Region overview

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

The region generates significant income for the Group's Corporate, Commercial & Institutional Banking business. Clients based in Europe & Americas make up around one-third of the Group's CCIB income, with three-quarters of client income booked elsewhere in the network generating above-average returns.

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

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

Strategic priorities

- Leverage our network capabilities to connect new and existing Corporate and Financial Institutions clients in the west to the fastest-growing and highest-potential economies across our footprint
- Grow the business we capture from inbound trade flows from our footprint markets
- Increase the capital base of our Frankfurt hub to continue growing business with our continental European clients
- Further develop our sustainable finance product offering and risk management capabilities
- Enhance capital efficiency, maintain strong risk oversight and further improve the quality of our funding base
- Expand assets under management in Private Banking and continue to strengthen the franchise

Progress

- Strong growth of 7 per cent in global cross-border business with Europe and the Americas CCIB clients
- Significantly expanded our domestic Cash Management offering to facilitate growth opportunities across our global footprint
- SCB AG entity fully operational as our continental Europe hub with the capital base doubled in 2021, providing financial solutions for the EU27 market and with strong income growth from both Corporate and Financial Institutions clients in Europe
- Significant growth in income from sustainable finance products and expansion of our sustainable product offering
- Significant increase in high-quality liabilities diversifying the region's funding base

Performance highlights

- Underlying profit before tax of $644 million improved 67 per cent driven by higher income and lower impairments
- Underlying operating income of $2,003 million was up 4 per cent largely due to growth in Trade and Lending with a resilient performance in Financial Markets. Treasury Markets income was lower due to significant realisation gains in the prior year. Cash Management income decreased due to lower interest margins albeit largely mitigated by significant growth in volumes
- Expenses increased by 7 per cent largely due to the normalisation of performance-related pay, increased investment and technology expense, and US dollar depreciation
- Loans and advances to customers grew 13 per cent and customer accounts grew 21 per cent

Accelerating Zero

Setting out our stall for 2050

In October, we announced plans to reach net zero carbon emissions from the activities we finance by 2050. Our plans include interim targets for our most carbon-intensive sectors, mobilising $300 billion in green and transition financing, and enabling a just transition through the deployment of a Transition Acceleration Team. The team will launch sustainable products and help our clients reach their net zero targets. We aim to be net zero from our own operations by 2025.

Read more online at **www.sc.com/netzero**

Group Chief Financial Officer's review

Andy Halford
Group Chief Financial Officer

"A resilient FY'21 performance returning to top line growth in 2H'21, an increased dividend and a buy-back"

Summary of financial performance

The Group delivered a resilient performance in 2021, returning to top-line growth in the second half of the year. In conditions that remained challenging the Group delivered strong underlying profit growth of 61 per cent on a constant currency basis, and 300 basis points increase to return on tangible equity (RoTE) to 6 per cent, benefiting from significantly lower credit impairment. Income was broadly flat to 2020 and was down 1 per cent on a constant currency basis, reflecting the $0.7 billion income lost in 2021 due to the low interest rate environment. After declining 6 per cent in the first half of the year on a constant currency basis excluding the impact of the debit valuation adjustment (DVA), the Group delivered 4 per cent income growth in the second half. The Group grew loans and advances to customers by 6 per cent and delivered a record level of assets under management within Wealth Management. Expenses were up 3 per cent on a constant currency basis as performance-related pay normalised after an abnormally low 2020 and as the Group continues to increase investment in strategic initiatives. Credit impairments reduced by $2 billion reflecting the non-repeat of prior year stage 3 charges and an improving economic backdrop as markets began an uneven recovery from the effects of COVID-19. The Group remains well capitalised and highly liquid with a Common Equity Tier 1 (CET1) ratio of 14.1 per cent, which translates to a pro forma 13.5% as at 1 January 2022 incorporating upcoming regulatory changes, enabling the Board to announce a further $750 million share buy-back programme to start imminently.

All commentary that follows is on an underlying basis and comparisons are made to the equivalent period in 2020 on a reported currency basis, unless otherwise stated.

- **Operating income** was broadly flat and was down 1 per cent on a constant currency basis
- **Net interest income** decreased 1 per cent with increased volumes more than offset by an 8 per cent or 10 basis point reduction in net interest margin. The decline in the net interest margin was as a result of the low interest rate environment and is equivalent to $0.7 billion of lost income. Net interest income included a positive $171 million IFRS9 interest income catch-up adjustment in respect of interest earned on historically impaired assets, increasing the net interest margin by 3 basis points
- **Other income** was flat, with a record performance in Wealth Management and strong fee growth in Transaction Banking offset by lower trading income in Financial Markets and lower realisation gains in Treasury
- **Operating expenses** excluding the UK bank levy increased 5 per cent but were flat on a constant currency basis after adjusting for the normalisation of performance-related pay in spite of a higher inflation environment. Expenses were held flat as the Group funded continued investment in transformational digital capabilities through cost efficiency actions. The cost-to-income ratio on a constant currency basis (excluding the UK bank levy and DVA) increased 272 basis points to 70 per cent, however in the second half of the year the Group delivered 260 basis points of positive operating leverage. The UK bank levy decreased by $231 million to $100 million reflecting a change in the basis of calculation as it is now only chargeable on the Group's UK balance sheet

- **Credit impairment** was $263 million, a reduction of $2 billion. Corporate, Commercial & Institutional Banking impairments declined by $1.6 billion as it recorded a net release of $44 million. Consumer, Private & Business Banking impairments were $285 million, primarily stage 3 impairments, down $456 million. Central & other impairments totalled $22 million, broadly flat in the year. Total credit impairment of $263 million represents a loan-loss rate of 7 basis points, a year-on-year reduction of 59 basis points in our cost of risk
- **Other impairment** was $355 million, an increase of $370 million. This includes a $300 million impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai) following the announcement of its most recent results. The remaining other impairment primarily relates to aircraft
- **Profit from associates and joint ventures** increased 7 per cent to $176 million. In 2020, the Group could only recognise its share of the profits of Bohai for ten months due to the timing of its initial public offering in July 2020, after which the Group's share of Bohai reduced to 16.26 per cent from 19.99 per cent
- Charges relating to **restructuring, goodwill impairment and other items** reduced by $346 million to $549 million, with $125 million higher restructuring costs more than offset by a non-repeat of $489 million goodwill impairment primarily relating to India and UAE booked in 2020
- **Taxation** was $1,034 million on a statutory basis. Taxation on underlying profits was at an effective rate of 28.8 per cent, a decrease of 8.9 per cent compared to 2020. This reflects a favourable change in the geographic mix of profits, the impact of a lower UK bank levy which is non-deductible and higher profits diluting the impact of non-deductible costs. Taxation on statutory profits was at an effective rate of 30.9 per cent, an increase of 1.9 per cent on the underlying rate due to restructuring costs incurred in low tax jurisdictions
- **Return on tangible equity** increased 300 basis points to 6.0 per cent due to the increase in profits
- Underlying basic **earnings per share (EPS)** more than doubled to 76.2 cents and statutory EPS of 61.3 cents increased by 50.9 cents
- A final **ordinary dividend** per share of 9 cents has been proposed along with a share buy-back programme of $750 million which will start imminently

Summary of financial performance

	2021 $million	2020 $million	Change %	Constant currency change[1] %
Net interest income	**6,807**	6,882	(1)	(2)
Other income	**7,906**	7,883	–	–
Underlying operating income	**14,713**	14,765	–	(1)
Other operating expenses	**(10,275)**	(9,811)	(5)	(3)
UK bank levy	**(100)**	(331)	70	69
Underlying operating expenses	**(10,375)**	(10,142)	(2)	(1)
Underlying operating profit before impairment and taxation	**4,338**	4,623	(6)	(5)
Credit impairment	**(263)**	(2,294)	89	89
Other impairment	**(355)**	15	nm[3]	nm[3]
Profit from associates and joint ventures	**176**	164	7	7
Underlying profit before taxation	**3,896**	2,508	55	61
Restructuring	**(507)**	(382)	(33)	(32)
Goodwill impairment	**–**	(489)	100	100
Other items	**(42)**	(24)	(75)	(83)
Statutory profit before taxation	**3,347**	1,613	108	119
Taxation	**(1,034)**	(862)	(20)	(19)
Profit for the year	**2,313**	751	nm[3]	nm[3]
Net interest margin (%)[2]	**1.21**	1.31	(10)	
Underlying return on tangible equity (%)[2]	**6.0**	3.0	300	
Underlying earnings per share (cents)	**76.2**	36.1	111	

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

Statutory financial performance summary

	2021 $million	2020 $million	Change %	Constant currency change[1] %
Net interest income	**6,798**	6,852	(1)	(2)
Other income	**7,903**	7,902	–	–
Statutory operating income	**14,701**	14,754	–	(1)
Statutory operating expenses	**(10,924)**	(10,380)	(5)	(3)
Statutory operating profit before impairment and taxation	**3,777**	4,374	(14)	(12)
Credit impairment	**(254)**	(2,325)	89	89
Goodwill & Other impairment	**(372)**	(587)	37	36
Profit from associates and joint ventures	**196**	151	30	30
Statutory profit before taxation	**3,347**	1,613	108	119
Taxation	**(1,034)**	(862)	(20)	(19)
Profit for the year	**2,313**	751	nm[3]	nm[3]
Statutory return on tangible equity (%)[2]	**4.8**	0.9	390	
Statutory earnings per share (cents)	**61.3**	10.4	nm[3]	

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

Operating income by product

	2021 $million	2020 (Restated)[2] $million	Change %	Constant currency change[1] %
Transaction Banking	**2,592**	2,838	(9)	(9)
Trade	**1,153**	994	16	16
Cash Management	**1,439**	1,844	(22)	(22)
Financial Markets	**4,921**	4,912	–	(1)
Macro Trading	**2,216**	2,532	(12)	(13)
Credit Markets	**1,823**	1,621	12	12
Credit Trading	**437**	404	8	7
Financing Solutions & Issuance	**1,386**	1,217	14	13
Structured Finance	**480**	382	26	25
Financing & Securities Services	**387**	364	6	5
DVA	**15**	13	15	15
Lending & Portfolio Management	**1,008**	884	14	13
Wealth Management	**2,225**	1,990	12	11
Retail Products	**3,358**	3,566	(6)	(7)
Credit Cards & Personal Loans & other unsecured lending	**1,272**	1,211	5	3
Deposits	**860**	1,457	(41)	(41)
Mortgage & Auto	**1,036**	750	38	35
Other Retail Products	**190**	148	28	28
Treasury	**698**	635	10	10
Other	**(89)**	(60)	(48)	(38)
Total underlying operating income	**14,713**	14,765	–	(1)

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

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

Transaction Banking income was down 9 per cent. Trade increased 16 per cent reflecting high single-digit growth in trade volumes from a significant rebound in global trade as economies recover from COVID-19. Cash Management declined 22 per cent with the low interest rate environment leading to margin compression despite repricing initiatives. This was partly offset by double-digit growth in volumes and fees.

Financial Markets income was flat, or down 2 per cent excluding the impact of a IFRS9 income adjustment, with strong performances in Credit Markets and Structured Finance offsetting a double-digit decline in Macro Trading income which was impacted by a non-repeat of 2020's exceptional market volatility. Credit Markets income grew 12 per cent, or 7 per cent excluding the impact of a $94 million IFRS9 income adjustment, with increased client demand growing both origination and distribution volumes. Structured Finance was up 25 per cent benefiting from increased leasing income due to new deals and profits from the sale of aircraft. Financing & Securities Services income was up 6 per cent with increased Security Services income partly offset by margin compression and lower demand for corporate term deposits.

Lending and Portfolio Management income was up 14 per cent, or 8 per cent excluding the impact of a $55 million IFRS9 income adjustment, with double-digit increase in balances on a constant currency basis and improved margins in Corporate Lending.

Wealth Management income grew 12 per cent to a record $2.2 billion reflecting sustained growth in client numbers and double-digit growth in assets under management. There was a particularly strong sales performance in Funds, Structured Notes and Wealth Lending. Bancassurance income was up 9 per cent.

Retail Products income declined 6 per cent or 7 per cent on a constant currency basis. Deposits income declined 41 per cent as margin compression from the low interest rate environment more than offset increased volumes and improved balance sheet mix. Strong volume growth and improved margins led to Mortgages & Auto income increasing 38 per cent and Other Retail Products income growing 28 per cent. Credit Cards & Personal Loans income was up 5 per cent as balances grew on the back of a recovery in transaction volumes.

Treasury income increased 10 per cent with higher interest income partly offset by a $224 million reduction in realisation gains given movements in yield curves.

Profit before tax by client segment and geographic region

	2021 $million	2020 (Restated)[2] $million	Change %	Constant currency change[1] %
Corporate, Commercial & Institutional Banking	**3,124**	1,994	57	58
Consumer Private & Business Banking	**1,071**	710	51	55
Central & other items (segment)	**(299)**	(196)	(53)	(22)
Underlying profit before taxation	**3,896**	2,508	55	61
Asia	**3,116**	2,814	11	11
Africa & Middle East	**856**	13	nm[3]	nm[3]
Europe & Americas	**644**	386	67	72
Central & other items (region)	**(720)**	(705)	(2)	6
Underlying profit before taxation	**3,896**	2,508	55	61

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 client segments

3 Not meaningful

Following an organisational restructure that came into effect on 1 January 2021, the new structure results in the creation of two new client segments: Corporate, Commercial & Institutional Banking, serving larger companies and institutions, and Consumer, Private & Business Banking, serving individual and business banking clients. 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 (CCIB) profit increased 57 per cent, with a $1.6 billion favourable movement from impairment releases in 2021. Income fell 1 per cent while expenses increased 5 per cent.

Consumer, Private & Business Banking (CPBB) profit increased by half, with income growing 1 per cent and impairments reducing by $456 million. This was partly offset by a 3 per cent increase in expenses.

Central & other items (segment) losses increased by approximately half to $299 million with a 21 per cent reduction in expenses more than offset by the $300 million impairment of the Group's investment in Bohai.

Asia profits increased 11 per cent with a $1.1 billion reduction in impairment partly offset by a $410 million negative movement in other impairment including the impairment of the Group's investment in Bohai.

Africa & Middle East profits increased from $13 million to $856 million primarily due to a $688 million reduction in impairment. Income was up 3 per cent and 5 per cent on a constant currency basis while expenses decreased 4 per cent.

Europe & Americas profit was up 67 per cent, benefiting from impairment releases and 4 per cent income growth partly offset by increased expenses.

Central & other items (region) recorded a loss of $720 million, with income down $281 million due to lower returns paid to Treasury on the equity provided to the regions in a lower interest rate environment broadly offset by a $231 million reduction in the UK bank levy and lower other impairment.

Adjusted net interest income and margin

	2021 $million	2020 $million	Change[1] %
Adjusted net interest income[2]	**6,796**	6,921	(2)
Average interest-earning assets	**559,408**	526,370	6
Average interest-bearing liabilities	**515,769**	478,051	8
Gross yield (%)[3]	**1.83**	2.34	(51)
Rate paid (%)[3]	**0.67**	1.12	(45)
Net yield (%)[3]	**1.16**	1.22	(6)
Net interest margin (%)[3,4]	**1.21**	1.31	(10)

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 2 per cent driven by an 8 per cent decline in net interest margin which fell 10 basis points year-on-year, reflecting the continued low interest rate environment following the cut in policy rates which occurred in early 2020. Excluding the $171 million benefit from IFRS9 income adjustments booked in the second and third quarter, the net interest margin in 2021 would have averaged 118 basis points. In the fourth quarter, the net interest margin averaged 119 basis points, an increase of 3 basis points in the quarter excluding the impact of the IFRS9 income adjustment booked in the third quarter. This reflects the impact of interest rate rises in certain markets and additional interest income from structural hedging activities within Treasury Markets.

Average interest-earning assets increased 6 per cent driven by an increase in loans and advances to customers and higher investment securities balances. Gross yields declined 51 basis points compared to the average in 2020 predominantly reflecting the impact of continued compression of key interest rates. Excluding the impact of the IFRS9 income adjustment, gross yields declined 54 basis points.

Average interest-bearing liabilities increased 8 per cent driven by growth in customer accounts. The rate paid on liabilities decreased by 45 basis points year-on-year reflecting interest rate movements. This was partly offset by a shift of customer accounts from higher-paying time deposits to lower-rate current and savings accounts.

Credit risk summary

Income statement

	2021 $million	2020 $million	Change[1] %
Total credit impairment	**263**	2,294	(89)
Of which stage 1 and 2	**78**	827	(91)
Of which stage 3	**185**	1,467	(87)

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

Balance sheet

	2021 $million	2020 $million	Change[1] %
Gross loans and advances to customers[2]	**304,122**	288,312	5
Of which stage 1	**279,178**	256,437	9
Of which stage 2	**16,849**	22,661	(26)
Of which stage 3	**8,095**	9,214	(12)
Expected credit loss provisions	**(5,654)**	(6,613)	(15)
Of which stage 1	**(473)**	(534)	(11)
Of which stage 2	**(524)**	(738)	(29)
Of which stage 3	**(4,657)**	(5,341)	(13)
Net loans and advances to customers	**298,468**	281,699	6
Of which stage 1	**278,705**	255,903	9
Of which stage 2	**16,325**	21,923	(26)
Of which stage 3	**3,438**	3,873	(11)
Cover ratio of stage 3 before/after collateral (%)[3]	**58 / 75**	58 / 76	0 / (1)
Credit grade 12 accounts ($million)	**1,730**	2,164	(20)
Early alerts ($million)	**5,534**	10,692	(48)
Investment grade corporate exposures (%)[3]	**69**	62	7

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

2 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $7,331 million at 31 December 2021 and $2,919 million at 31 December 2020

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

The solid risk-management foundations that the Group has built over time has allowed the Group to focus on emerging strongly from the COVID-19 pandemic, despite the uneven recovery across some markets and industries. In spite of the challenging conditions that remain, the Group has seen improvement in a number of credit metrics with the stock of high-risk assets reducing over 6 consecutive quarters and a $2 billion reduction in credit impairment year-on-year. The Group is well positioned to support our clients as economies recover but continues to remain vigilant to the continued impact of COVID-19 and to sectors such as China commercial real estate that are under particular idiosyncratic pressures.

Credit impairment totalled $263 million, a reduction of $2 billion, representing a loan loss rate of 7 basis points demonstrating the resilience of the overall portfolio.

Stage 1 and 2 impairment charge of $78 million is a decrease of $749 million, reflecting an improvement in the macroeconomic variables incorporated into expected credit loss models, additional collateral and guarantees received on a select number of clients and an improvement in underlying probability of default metrics. The management overlay relating to stage 1 and 2 assets totals $323 million as at 31 December 2021 compared to $353 million as at 31 December 2020. There was a $125 million reduction in the COVID-19 element of the overlay, partly offset by a $95 million overlay booked in the fourth quarter in relation to the China commercial real estate sector.

Stage 3 impairment of $185 million primarily relates to charge-offs within CPBB with net releases within CCIB. There was a $32 million charge relating to the catch-up of interest earned on historically impaired assets and a $15 million increase in the management overlay of stage 3 assets in CPBB, which now totals $21 million.

Gross stage 3 loans and advances to customers of $8.1 billion were 12 per cent lower, primarily due to repayments, client upgrades and write-offs more than offsetting new inflows. Credit-impaired loans represented 2.7 per cent of gross loans and advances, a decrease of 53 basis points.

The stage 3 cover ratio of 58 per cent was stable, and the cover ratio post collateral at 75 per cent decreased by 1 percentage point. This reflects 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 decreased by 20 per cent, with client upgrades, downgrades into stage 3 and re-payments partly offset by a sovereign ratings downgrade and new inflows.

Early Alert accounts of $5.5 billion have nearly halved, reflecting the net impact of regularisations of accounts back into non-high-risk categories, net impact of downgrades into credit grade 12 and exposure reductions. In the fourth quarter, Early Alert accounts decreased by $1.9 billion reflecting improved operating performance in the Aviation sector. Early Alert accounts are now broadly in line with the level they were at before COVID-19. The Group is continuing to monitor its exposures in the Aviation, Metals & Mining and Oil & Gas sectors particularly carefully, given the unusual stresses caused by the effects of COVID-19, as well as its exposure to Commercial Real Estate, which, with net loans and advances to customers of $19.8 billion is just 7 per cent of the Group's total net loans and advances to customers. The rises in commodity prices have eased credit pressure for certain sectors.

The proportion of investment grade corporate exposures has increased by 7 percentage points to 69 per cent.

Restructuring, goodwill impairment and other items

	2021			2020		
	Restructuring $million	**Goodwill impairment $million**	**Other items $million**	Restructuring $million	Goodwill impairment $million	Other items $million
Operating income	**(32)**	**–**	**20**	27	–	(38)
Operating expenses	**(487)**	**–**	**(62)**	(252)	–	14
Credit impairment	**9**	**–**	**–**	(31)	–	–
Other impairment	**(17)**	**–**	**–**	(113)	(489)	–
Profit from associates and joint ventures	**20**	**–**	**–**	(13)	–	–
Loss before taxation	**(507)**	**–**	**(42)**	(382)	(489)	(24)

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. A reconciliation of restructuring and other items excluded from underlying results is set out on pages 80 to 84.

Restructuring charges of $507 million for 2021 reflects the impact of actions to transform the organisation to improve productivity, primarily redundancy related charges, the majority of which, including an early retirement programme in Korea, were booked in 4Q'21.

Other items include a $62 million financial penalty paid to the PRA and a $20 million fair-value gain relating to a SC Ventures investment.

Balance sheet and liquidity

	2021 $million	2020 $million	Increase/ (Decrease) $million	Increase/ (Decrease) %
Assets				
Loans and advances to banks	**44,383**	44,347	36	–
Loans and advances to customers	**298,468**	281,699	16,769	6
Other assets	**484,967**	463,004	21,963	5
Total assets	**827,818**	789,050	38,768	5
Liabilities				
Deposits by banks	**30,041**	30,255	(214)	(1)
Customer accounts	**474,570**	439,339	35,231	8
Other liabilities	**270,571**	268,727	1,844	1
Total liabilities	**775,182**	738,321	36,861	5
Equity	**52,636**	50,729	1,907	4
Total equity and liabilities	**827,818**	789,050	38,768	5
Advances-to-deposits ratio (%)[2]	**59.1%**	61.1%		
Liquidity coverage ratio (%)	**143%**	143%		

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

2 The Group now excludes $15,168 million held with central banks (31.12.20: $14,296 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 driven mainly by growth in Financial Markets, Mortgages and Corporate Lending. Volumes declined $4 billion in 4Q'21 with a $9 billion reduction in Treasury Markets balances more than offsetting underlying growth in Corporate Lending and Financial Markets. Excluding the reduction in Treasury Markets, loans and advances to customers grew an underlying 2 per cent in 4Q'21
- Customer accounts of $475 billion increased 8 per cent since 31 December 2020 with an increase in operating account balances within Cash Management and in Retail current and saving accounts partly offset by a reduction in Retail time deposits. Volumes increased $21 billion in 4Q'21 primarily from growth in operating account balances and corporate term deposits
- Other assets increased 5 per cent since 31 December 2020 while other liabilities were 1 per cent higher. The growth in other assets was driven by increased reverse repurchase agreement volumes and an increase in investment securities held within Treasury Markets. The growth in other liabilities reflects increased repurchase agreements and issued debt securities offset by reduced derivative balances

The advances-to-deposits ratio decreased to 59.1 per cent from 61.1 per cent at 31 December 2020 reflecting the strong growth in customer accounts. The point-in-time liquidity coverage ratio has remained stable at 143 per cent and remains well above the minimum regulatory requirement of 100 per cent.

Risk-weighted assets

	2021 $million	2020 $million	Change[1] $million	Change[1] %
By risk type				
Credit risk	**219,588**	220,441	(853)	–
Operational risk	**27,116**	26,800	316	1
Market risk	**24,529**	21,593	2,936	14
Total RWAs	**271,233**	268,834	2,399	1

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

Total risk-weighted assets (RWA) increased 1 per cent or $2.4 billion since 31 December 2020 to $271.2 billion.

- Credit risk RWA decreased $0.9 billion to $219.6 billion, with an increase of $10.2 billion from underlying asset growth more than offset by the aggregate of $4.4 billion from favourable FX movements, $3.7 billion impact from model enhancements, $2.2 billion from the partial unwind of negative credit migration and $1.1 billion impact from other RWA efficiency actions
- Market risk RWA increased by $2.9 billion to $24.5 billion primarily due to the impact of updated PRA guidance with $3.7 billion Structural FX risk now treated as Pillar 1 market risk RWA, partly offset by the benefit of consolidating market risk RWA following the receipt of a Prudential Regulatory Authority (PRA) permission to consolidate market risk RWA for SCB Malaysia Berhad, SCB Thai PCL and SCB (Vietnam) Ltd
- Operational risk RWA increased by $0.3 billion 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

Capital base and ratios

	2021 $million	2020 $million	Change[1] $million	Change[1] %
CET1 capital	**38,362**	38,779	(417)	(1)
Additional Tier 1 capital (AT1)	**6,791**	5,612	1,179	21
Tier 1 capital	**45,153**	44,391	762	2
Tier 2 capital	**12,491**	12,657	(166)	(1)
Total capital	**57,644**	57,048	596	1
CET1 capital ratio end point (%)[2]	**14.1**	14.4	(0.3)	
Total capital ratio transitional (%)[2]	**21.3**	21.2	0.1	
UK leverage ratio (%)[2]	**4.9**	5.2	(0.3)	

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 decreased 28 basis points but remains 4 percentage points above the Group's current regulatory minimum of 10.1 per cent. On a pro forma basis, after the cessation of software relief and other regulatory changes and adjustments detailed below, the CET1 ratio as at 1 January 2022 is 13.5 per cent.

The CET1 ratio of 14.1 per cent declined in the period as approximately 90 basis points of profit accretion was more than offset by distributions, RWA growth, movements in reserves and an increase in regulatory deductions. An increase in underlying RWAs, excluding the impact of FX, reduced the CET1 ratio by approximately 40 basis points. This included a 20 basis points impact from higher market RWA following a clarification of the regulatory treatment of Structural Foreign Exchange risk.

Ordinary shareholder distributions reduced the CET1 ratio by approximately 30 basis points. These distributions included ordinary share buy-backs of $0.5 billion completed in the period which reduced the share count by approximately 2.5 per cent during 2021 and a total 2021 ordinary dividend of 12 cents a share or $370 million. The total 2021 dividend comprised the interim dividend of 3 cents per share and the Board recommended final dividend of 9 cents per share. Payments due to AT1 and preference shareholders reduced the CET1 ratio by approximately 20 basis points. The net effect of other movements in the period reduced the CET1 ratio by approximately 30 basis points as higher regulatory deductions, adverse movements in other comprehensive income and reserves offset the reduction in RWA from currency translation effects.

There are three policy changes expected to impact the calculation of CET1 and/or RWAs in 2022. Firstly, the PRA has confirmed that software relief will be excluded from CET1 from 1 January 2022 which will reduce CET1 by 32 basis points. Secondly, the recent industry wide regulatory changes to align IRB model performance (the IRB model repair program) will add approximately $4.7 billion of additional RWA from 1 January 2022. Finally, the introduction of standardised rules for counterparty credit risk on derivatives and other instruments (SA-CCR) will add approximately $1.6 billion of additional RWA. The combination of the IRB model repair program and SA-CCR are expected to reduce the CET1 ratio by approximately 31 basis points from 1 January 2022.

The Board has authorised a share buy-back with a maximum consideration of $750 million to start imminently to further reduce the number of ordinary shares in issue by cancelling the repurchased shares. The share buy-back is expected to reduce the CET1 ratio by approximately 30bps.

The Group's UK leverage ratio of 4.9 per cent, reduced by approximately 30 basis points due to an increase in on-balance sheet exposures but remains significantly above its minimum requirement of 3.7 per cent.

Outlook

We have had a solid start to 2022 and we expect income to grow in the 5-7 per cent range with mid-single digit asset growth and an increasing likelihood of some support from interest rates, which should help support margins particularly in the later part of the year.

Expenses are expected to grow $0.4 billion including the impact of inflation to $10.7 billion, excluding the impact of currency movements.

Whilst we remain vigilant to the continued uncertainty in the external environment, our loan portfolios are in good shape and, barring major negative events, we would expect impairments to slowly increase from the exceptionally low levels in 2021. Our medium-term cost of risk is now expected to normalise between 30-35 basis points, slightly lower than our previous medium-term guidance of 35-40 basis points.

Although regulatory changes will lead to an increase in RWAs at the start of the year we fully intend to operate dynamically within the 13-14 per cent CET1 range.

Looking beyond 2022, the actions we are undertaking and likely trajectory of interest rates puts us on the path to deliver a 10 per cent return on tangible equity by 2024. With the tailwind of a rising interest rate outlook, we believe we can deliver 8 to 10 per cent income growth per annum between 2022 and 2024, with 5-7 per cent from underlying business growth and a further 3 per cent from rising interest rates.

We are embarking on a $1.3 billion gross structural expense reduction programme, funded by $0.5 billion of restructuring charges, which will free up investment capacity and allow us to deliver 2 per cent positive income-to-cost jaws on average per annum before the benefit of rising interest rates.

The actions we are taking on RWA optimisation means we expect RWAs to grow at a low single-digit percentage. We have reiterated our intent to operate within our 13-14% CET1 target range and aim to deliver in excess of $5 billion of shareholder returns over the next three years.

Andy Halford
Group Chief Financial Officer

17 February 2022

Group Chief Risk Officer's review

Mark Smith
Group Chief Risk Officer

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

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

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

Asset quality has improved, with improvements in a number of metrics including a significant year-on-year reduction in credit impairments across all stages and an increase in percentage of investment grade corporate exposures (2021: 69 per cent, 2020: 62 per cent), though we remain watchful in the face of ongoing uncertainty. We continue to demonstrate resilience as evidenced by strong capital and liquidity metrics. As a result of the changes in internal and external operating environment due to the pandemic, non-financial risks areas such as Fraud, Information and Cyber Security, Privacy, and Conduct remain heightened. We continue to enhance our operational resilience and defences against these risks, especially as we adapt to more agile ways of working. We are also working to ensure a successful transition from the Interbank Offered Rate (IBOR) to alternative risk-free rates.

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

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

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

Read more about the considerations taken into account for our pathway to net zero on **page 66**. Further details on our overall approach to net zero can be found at **sc.com/netzero**.

An update on our key risk priorities

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

Strengthening the Group's risk culture and conduct: We remain committed to promoting a healthy risk culture and driving the highest standards in conduct. Both risk culture and conduct are integral components of our Enterprise Risk Management Framework (ERMF). 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. It underpins an enterprise-level ability to identify and assess, openly discuss, and take prompt action to address existing and emerging risks. Senior management across the Group promote a healthy risk culture by rewarding risk-based thinking (including in remuneration decisions), challenging 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 conduct outcomes, acknowledging that while incidents cannot be entirely avoided, the Group has no appetite for wilful or negligent misconduct. More broadly, we are continuing to focus on strengthening first-line Conduct Risk ownership, including helping to draw enhanced Conduct Risk insights through the development of better conduct analytics as part of the new Conduct Risk management approach.

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

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

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

More details can be found at **sc.com/sustainability** and **sc.com/tcfd**

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

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

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

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

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

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

Embedding Model Risk management: Model Risk management has seen a notable step forward in 2021. We enhanced our risk management framework earlier in the year to strengthen model issue management and governance framework for artificial intelligence and machine learning. The Group Model Inventory has undergone many enhancements through the year to be an industry-level model inventory tool, enabling increased coverage of information with a higher level of accuracy. Regulatory model delivery has been a key focus area related to new European Banking Authority standards and the cessation of IBOR. We are also progressing well on rolling out the Model Risk Type Framework across our countries, including training, extension of risk type framework, inventory identification and generation of risk information reports. This will continue to be an area of focus to ensure we effectively embed awareness of Model Risk management at a firm-wide level.

Our risk profile and performance in 2021

Despite the challenges of the ongoing pandemic, our solid foundation has helped us to deliver a good performance with a resilient risk profile and improved asset quality. 2021 demonstrates our commitment to strong and sustainable growth, with continued improvements across several metrics reflecting our robust risk management during the pandemic.

We remain vigilant to the continued impact of COVID-19 and an uneven recovery across markets and industries.

In 2021, we have seen a 49 per cent decrease in early alerts exposure (2021: $5.5 billion, 2020: $10.7 billion), mainly due to reductions in counterparty exposure and clients being removed from early alert. While early alerts have decreased compared with December 2020, the Group remains vigilant in view of persistent challenging conditions in some markets and sectors. Credit Grade 12 balances decreased to $1.7 billion (2020: $2.2 billion) mainly due to repayments and outflows to non-performing loans, that were partly offset by sovereign rating downgrades.

The percentage of investment-grade corporate exposure has also increased to 69 per cent compared with 62 per cent a year ago, reflecting an increase in repurchase agreement balances and high-quality originations.

The total credit impairment charge significantly reduced to $0.3 billion (2020: $2.3 billion), with decreases seen across all stages. Stage 3 impairment charge was $185 million (2020: $1.5 billion), majority of which was from Corporate, Commercial and Institutional Banking. Stage 1 and 2 impairment charge decreased by $749 million to $78 million, over half of which is due to reduction in Stage 2 exposures from lower levels of early alerts, new guarantees and improvement in probability of default, with the remainder due to improving macroeconomic forecasts and reduction in COVID-19 management overlays.

Overall stage 3 gross loans and advances to customers decreased from $9.2 billion to $8.1 billion, while stage 3 provisions were lower by $0.7 billion at $4.7 billion (2020: $5.3 billion). The stage 3 cover ratio (excluding collateral) in the total customer loan book was stable at 58 per cent (2020: 58 per cent).

Average Group Value at Risk (VaR) in 2021 was 44 per cent lower at $54.8 million (2020: $97.6 million), driven by the extreme market movements from 2020 dropping out of the one-year VaR time horizon. However, volatility started to increase in the second half of 2021 driven by the impact of new COVID variants. There were three regulatory VaR backtesting negative exceptions in 2021.

The results of the Bank of England's annual solvency stress test exercise in 2021 shows that the Group is resilient under the Bank of England scenario. We have a diverse and liquid balance sheet and these results demonstrate our continued capital strength and resilience to stress, supported by a focus on sustainable returns and actions to improve our portfolio quality.

We have re-assessed the methodology for calculating the Group liquidity coverage ratio (LCR) in 2021, to better reflect the portability of liquidity across the group while still considering currency convertibility and regulatory intra-Group limits. The Group LCR remained stable at 143 per cent (2020: 143 per cent).

Our Common Equity Tier 1 (CET1) ratio is 14.1 per cent (2020: 14.4 per cent). Further details, including explanation of pro forma changes as at 1 January 2022, can be found in the Capital Review section on Page 288.

Details of the Group's risk performance are set out in the Risk update (pages 196 to 198) and Risk profile (pages 199 to 257)

An update on our risk management approach

Our Enterprise Risk Management Framework (ERMF) outlines how we manage risk across the Group, as well as at branch and subsidiary level[1]. It gives us the structure to manage existing risks effectively in line with our Risk Appetite, as well as allowing for holistic risk identification. As part of the annual review of the ERMF, we have repositioned our Cross-Cutting Risks to Integrated Risk Types (IRT), which are defined as "risks that are significant in nature and materialise primarily through the relevant Principal Risk Types". The ERMF sets out the roles and responsibilities and minimum governance requirements for the management of IRTs. Additionally, the Capital and Liquidity Principal Risk Type has been renamed to Treasury Risk and the scope of the risk type has been expanded to cover Interest Rate Risk in the Banking Book (IRRBB).

Given their integrated nature, Digital Asset and Third-Party Risks, have been newly identified as IRTs in the ERMF, in addition to Climate Risk.

Principal and Integrated Risk Types

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 and integrated risks and how these are managed. In addition to principal risks, the Group has defined a Risk Appetite Statement for Climate Risk and will give consideration to standalone Risk Appetite Statements for additional integrated risks in 2022.

Further details can be found on **pages 258 to 279**.

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
Treasury 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 and Technology Risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise
Information and Cyber Security Risk	The Group seeks to minimise ICS Risk from threats to the Group's most critical information assets and systems, and has a low appetite for material incidents affecting these or the wider operations and reputation of the Group
Compliance Risk	The Group has no appetite for breaches in laws and regulations related to regulatory non-compliance; recognising that whilst incidents are unwanted, they cannot be entirely avoided
Financial Crime Risk	The Group has no appetite for breaches in laws and regulations related to financial crime, recognising that while incidents are unwanted, they cannot be entirely avoided
Model Risk	The Group has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models, 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. This includes a potential failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm

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

1 The Group's Risk Management Framework and System of Internal Control applies only to wholly controlled subsidiaries of the Group, and not to Associates, Joint Ventures or Structured Entities of the Group.

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 and 2021 Half Year Report. A detailed explanation of the changes to our emerging risks compared with 2020 can be found on page 280.

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

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

Emerging risks	Risk trend since 2020[1]	Key risk trend drivers	How these are mitigated
Adapting to endemic COVID-19 and a K-shaped recovery[2]		Although countries with higher vaccination rates are moving towards accepting COVID-19 as endemic, the threat of new variants and increased restrictions remains. Vast differences in the pace and scale of vaccine roll-outs and financial resources have widened the recovery gap and threaten a K-shaped global recovery, where countries or sectors recover at a different rate depending on their ability to adapt to a post-COVID world. There are deeper structural impacts on traditional economic systems, including shifts in labour demographics.	• As part of our stress tests, a severe stress in the global economy associated with a sharp slow-down was assessed • Sensitive sectors (e.g. aviation and hospitality) are regularly reviewed and exposures to these sectors are actively managed as part of Credit Risk reviews • Exposures that could result in material credit impairment charges and risk weighted asset inflation under stress tests are regularly reviewed and actively managed • The Group's priority remains the health and safety of our clients and employees and continuation of normal operations by leveraging our robust Business Continuity Plans which enable the majority of our colleagues to work remotely where possible
Supply chain dislocations		A combination of supply and demand factors, some transitory and some more structural, have led to global supply chain disruptions, especially as some markets have started to emerge from the pandemic. There may also be a fundamental shift in supply chains of the future, with increased contingency costs and potential shifts to move production closer to consumers.	• Exposures that may result in material credit impairment and increased risk-weighted assets are closely monitored and actively managed • Sectors which exhibit high supply chain pressure and vulnerability are regularly reviewed and exposures to these sectors are actively managed as part of credit risk reviews • We actively utilise Credit Risk mitigation techniques including credit insurance and collateral
Emerging Markets Sovereign risk		COVID-19 has caused liquidity and potential solvency issues for some of the world's poorest countries, with several negative sovereign rating actions observed. Tightening of financial conditions in developed markets may lead to local currency depreciations against the US dollar, pushing up debt reservicing costs.	• Exposures that may result in material credit impairment and increased 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 actively utilise Credit Risk mitigation techniques including credit insurance and collateral • We actively track the participation of our footprint countries in G20's Common Framework Agreement and Debt Service Suspension Initiative for Debt Treatments and the associated exposure
Expanding stakeholder expectations for environmental, social and corporate governance		There are risks if the Group is unable to adapt to new regulation quickly, as well as meeting publicly stated sustainability goals and helping clients transition. Environmental targets are being incorporated into many countries' domestic policies and corporations' business models, with increased pressure to set ambitious sustainability goals. This includes an increase in disclosure requirements. There is fragmentation in the pace and scale of adoption around the world, which adds complexity in managing a global business. There is a risk that focus on environmental goals over social and governance concerns, as well as fragmentation in ESG taxonomies, may lead to unintended consequences.	• We remain committed to being a responsible bank, minimising our environmental impact and embedding our values through our strengthened Position Statements for sensitive sectors and a list of prohibited activities that the Group will not finance • The 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 resilience to climate-related risks in line with local regulatory requirements • The Group has released net zero targets and specific emission reduction targets for carbon-sensitive sectors. The Group's TCFD Report includes more details on climate risk and net zero • Our Green and Sustainable Product Framework, developed with the support of Sustainalytics, has been informed by industry and supervisory principles and standards such as the Green Bond Principles and EU Taxonomy for sustainable activities • We have defined three Stands to use our unique ability to work across boundaries and connect capital, people, ideas and best practices to help address some key socioeconomic challenges and enable a just transition • We are developing an approach to further integrate ESG risk management across the ERMF

Emerging risks	Risk trend since 2020[1]	Key risk trend drivers	How these are mitigated
Social unrest	↓	COVID-19 has restricted the ability to demonstrate in some markets, although the prolonged nature of the pandemic and imposed vaccine and lockdown mandates have led to tensions in some countries. Inequality has increased as a result of the pandemic, which may give rise to societal disturbances. Other causes such as climate and social justice also remain a focus.	• The Group is committed to managing human rights impacts through our social safeguards in our Position Statements • The Human Rights Working Group has developed 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
Data and digital	↑	Regulatory requirements and client expectations relating to data management, data protection, data sovereignty and privacy are increasing, including the ethical use of data and artificial intelligence. The Group, as well as the industry, continues to face challenges to keep pace with the volume of data-related regulatory change. Rapid adoption and increased sophistication of new technologies may expose the Group to new technology-related risks, including heightened cyber security risks. Data is becoming more concentrated in the hands of governments and big private companies. There are also relatively few providers of new technologies such as cloud computing services.	• We actively monitor, both in house and through external counsel, regulatory developments in relation to data management, including records management, data protection and privacy, data sovereignty and artificial intelligence • The Group has further embedded the existing risk control framework for data management risks, which has strengthened and streamlined risk oversight • We have established a dedicated Data and Privacy Operations team and mobilised a Groupwide transformation programme to build data management capabilities and expertise across the Group to ensure compliance with data management regulations
New business structures, channels and competition	↑	There are significant shifts in customer value propositions. Fintechs are delivering digital-only banking offerings with a growing usage of machine learning to provide highly personalised services. In addition, digital assets are gaining adoption and linked business models are increasing in prominence. These present material opportunities as well as risks. Failure to adapt and harness new technologies and new business models would place banks at a competitive disadvantage. There is an increasing usage of partnerships and alliances by banks to respond to disruption and changes in the industry. However, this exposes banks to third-party risks.	• We monitor emerging trends, opportunities and risk developments in technology that may have implications for the banking sector • We are enhancing capabilities to ensure our systems are resilient, we remain relevant and can capitalise quickly on technology trends • Enhanced digital capabilities have been rolled out in Consumer, Private and Business Banking, particularly around onboarding, sales, and marketing • We have developed and implemented a risk management approach to address the specific risks arising from digital asset activities, as well as internal guidance on how to leverage existing risk management practices for new activities and nascent risks • Strategic partnerships and alliances are being set up with fintechs to better compete in the markets in which we operate • Third-Party Risk management policies, procedures and governance are being reviewed to ensure adequate coverage across all Group activities

Emerging risks	Risk trend since 2020[1]	Key risk trend drivers	How these are mitigated
Talent pools of the future	↑	COVID-19 accelerated the move towards remote working for employees. However this has raised concerns around effective mitigation and management of Operational, Information and Cyber Security, Compliance, and Conduct Risks. The extended nature of the COVID-19 pandemic is continuing to restrict employees' ability to operate in their preferred hybrid working location format (between home and office), causing potential risks to wellbeing, ease of collaboration and learning from others. A shortage of key skills is driving a war for talent which, combined with cross-border mobility restrictions and government protectionist policies, will especially intensify competition for local talent.	• We assess and manage people-related risks, for example, organisation, capability, conduct and culture, as part of our Group risk management framework and our People Strategy • The Group undertook a Future of Work change risk assessment which considered Operational, Compliance, Data Privacy and Cyber Security Risks in addition to wellbeing, culture and leadership • The Group has rolled out hybrid-working options in 28 markets and over 73 per cent of employees in these locations are now on flexi-working arrangements. • Wellbeing is one of the key pillars of the Group's diversity and inclusion strategy and we have embedded multiple tools and resources to support colleague wellbeing. These include toolkits for managers and employees, a confidential Employee Assistance Program, an online programme to support physical wellbeing, increased training for Mental Health First Aiders, an on-the-go mobile app and proactive training in resilience • We have embarked on a multi-year journey focused on upskilling and re-skilling our workforce by building a culture of continuous learning and leveraging technology to enable employees to build future ready skills through content and cross-functional experiences

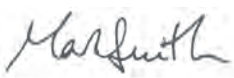
↑ Risk heightened in 2021 ↓ Risk reduced in 2021 ‹› Risk remained consistent with 2020 levels

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

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

Summary

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



Mark Smith
Group Chief Risk Officer

17 February 2022

Resetting Globalisation

Supporting sustainable trade

In March 2021, we launched the Sustainable Trade Finance Proposition – an initiative to help companies implement sustainable practices and develop more resilient supply chains. The proposition, which is aimed at clients in Asia, Africa and the Middle East, Europe and the Americas, will support the financing of sustainable goods, assist sustainable suppliers and help carbon-intensive industries transition. These products will support global supply chain activities – estimated at $19 trillion by the World Trade Organization – to become more sustainable.

Read more online at
www.sc.com/sustainabletrade

Stakeholders and responsibilities

As an international bank working in 59 markets, stakeholder engagement is crucial in ensuring we understand local, regional and global perspectives and trends which inform how we do business.

Our stakeholders

- Clients
- Regulators and governments
- Investors
- Suppliers
- Society
- Employees

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

See the following pages for:

- how we engage stakeholders to understand their interests
  See pages 51 to 55
- how we engage employees and respond to their interests
  See pages 55 to 59
- how we respond to stakeholder interests through sustainable and responsible business
  See pages 61 to 77

Detailed information about how the Board engages directly with stakeholders and shareholders can be found in the Director's report on pages 110 to 112.

Examples of a selection of the Board's principal decisions are included throughout this section.

This section also forms our key non-financial disclosures in relation to sections 414CA and 414CB of the Companies Act 2006. Our non-financial information statement can be found at the end of this section on page 78.

Case study

Helping Haron's business grow

At the start of the COVID-19 pandemic, Haron owned an informal business in Lira City, Uganda specialising in seedlings for sale. It supported his family and a small workforce of 25 workers.

COVID-19 stalled Haron's dream to expand his business and keep his workers. With support from Futuremakers, Haron is getting back on track. He acquired new business skills, networked with fellow entrepreneurs and turned his business around.

Production quantity and quality are steadily improving. Haron's greenhouse (the third largest in Lira) produced 15,000 seedlings a month compared with 20,000 every six months before COVID-19 when he had no greenhouse. Using his new skills, Haron also mentored 100 young entrepreneurs and is now looking at a regional expansion.

Engaging stakeholders

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

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

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

We communicate progress regularly to external stakeholders through channels such as sc.com and this report. More detailed information on material sustainability topics can be found in our sustainable and responsible business section on pages 61 to 77.

Clients

How we create value

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

How we serve and engage

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

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

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

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

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

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

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

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

Fees and charges are disclosed to clients in line with regulatory requirements and industry best practice, and where available, benchmarked against competitors. For Personal and Business Banking products, accurate interest rates charged, fees and other charges as billed to clients are monitored and assessed locally, with global oversight. Triggers for outlier prices are defined and subject to annual review. A process is in place to review complaints prior to amendments to annual interest, fees and charges.

Engaging stakeholders
continued

Clients continued

Managing frontline employees and their incentives

We have an institutional approach to training our sales teams who are required to complete mandatory training and appropriate regulatory licensing requirements before they commence selling products. In CCIB, this also includes appropriate certifications in Cash, Trade, Securities Services, Financial Markets, Islamic Banking products and Sustainable Finance.

We have embedded a balanced scorecard approach for all frontline employees and frontline management employees which incentivises performance and behaviours aligned to both our financial and non-financial priorities. This ensures a balanced performance assessment of our people and drives appropriate client engagement behaviours. Internal awards also provide recognition for exemplary demonstration of our valued behaviours and going above and beyond to meet and exceed the expectations of our clients.

To help ensure the rigour of our sales process and our people's engagement skills, we periodically require employees to complete refresher training and certification, and in our CPBB segment we also supplement this with mystery shopping programmes and client call backs.

We also continuously assess our product portfolio for new risks to ensure they remain appropriate for client needs and aligned to emerging regulation. These quantitative and qualitative assessments enable a complete view of whether to continue, grow or retire products.

Throughout 2021, we also maintained our sharp focus on improving client experience across the Bank. We opened our first Priority Private Centre in Hong Kong as part of our ongoing efforts to better service clients. Priority Private offers a dedicated service model, supported by a highly experienced team of banking and financial experts, together with bespoke lifestyle privileges.

In CCIB, we focused on delivering a consistent global experience for larger clients across our proprietary platforms, including more than 300 digital and data initiatives across 47 markets.

Deploying our agile working practices have enabled us to increase our speed of decision-making and change delivery to meet client needs faster. We accelerated the launch of our strategic partnership with Atome Financial, which operates Asia's largest buy-now-pay-later platform, supporting our ambition to expand our reach and scale within the mass market segment via a digital-first approach, underpinned by digital acquisition and new partnership models.

Refining our processes also enabled us to eliminate 262 million hours of client waiting time annually, and our efforts were recognised with a Digital Transformation and Operational Excellence Award and inclusion as a finalist in two further external awards.

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

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

Their interests

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

Regulators and governments

How we create value

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

How we serve and engage

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

In 2021, we engaged with regulators, government officials and trade associations on a broad range of topics that included recovery from COVID-19, international trade, sustainable finance, data, cyber security, digital adoption,and innovation.

We also engaged with officials on the financial services regulatory environment, in particular on prudential, financial markets, conduct and financial crime frameworks.

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

Regulators and governments continued

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

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

In 2022, we expect to engage on regulation and legislation associated with the continued recovery from COVID-19, international trade, sustainable finance and climate action, digital innovation, data, privacy, artificial intelligence and cyber security.

Their interests

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

For more details on our engagement with regulators and governments, as well as our industry and membership associations please see **sc.com/politicalengagement**

Investors

How we create value

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

How we serve and engage

We rely on capital from debt and equity investors to execute our business model. Whether they have short- or long-term investment horizons, we provide our investors with information about all aspects of progress against our strategic and financial frameworks.

Our footprint and intent to become the world's most sustainable and responsible bank provide our investors with exposure to opportunities in emerging markets. We believe that our integrated approach to ESG issues, as well as a strong risk and compliance culture, is a key differentiator. We delivered a resilient financial performance in 2021, reaffirmed our business strategy and have now set out clear actions to accelerate the delivery of our ambition of double-digit return on tangible equity.

Regular and transparent engagement with our investors, and the wider market, helps us understand investors' needs and tailor our public information accordingly. In addition to direct engagement from our Investor Relations team, we communicate through quarterly, half and full-year results, conferences, roadshows, investor days and media releases. There was continued adoption of virtual mediums during the year due to the pandemic, albeit we hosted the Innovation and Digitisation event in a hybrid format in our office in Basinghall Avenue, London in October 2021.

Investor feedback, recommendations and requests are considered by the Board, whose members keep abreast of current topics of interest. Standard Chartered PLC's Annual General Meeting (AGM) in May 2021 was open to shareholders through electronic attendance, where they were able to view a live video feed of the meeting, submit voting instructions and ask direct questions to the Board. Similarly, the Group Chairman, alongside certain other members of the Board, hosted a virtual stewardship event for institutional investors in November which provided a platform for shareholders to receive an update on, and ask questions on, key issues.

Principal Board decision – dividends and buy-backs

During 2021, the Board decided to approve the payment of a final dividend for the year ended 31 December 2020 of $0.09 per ordinary share and recommence the share buy-back programme, which had been suspended in March 2020 in response to a request from the PRA and as a consequence of the unprecedented challenges facing the world due to the COVID-19 pandemic at the time.

As part of its decision-making process, the Board took account of guardrails implemented by the regulator regarding capital distribution and noted the importance of approving distributions within an appropriately prudent framework. The impact of different methods of returning capital to investors was a key consideration for the Board, and it recognised that a balance between dividend resumption and recommencing a buy-back programme provided good flexibility and sustainable returns.

The Board continued its careful consideration of stakeholder interests during 2021, by approving an interim dividend of $0.03 per ordinary share and a further share buy-back programme up to a maximum consideration of $250 million, reinforcing the significance of balancing a cautious approach to capital management in light of the continued impact of the pandemic against returns to our shareholders.

Engaging stakeholders
continued

Investors continued

We continue to respond to growing interest from mainstream investors on ESG matters including the UN's SDGs, sustainable finance, human rights and coal, and we ran a dedicated engagement programme on our net zero roadmap. We also work with sustainability analysts and participate in sustainability indices that benchmark our performance, including the CDP Climate Change survey and Workforce Disclosure Initiative.

In 2022, we will continue to engage with investors on progress against our strategic priorities and the financial framework we have announced as we progressively advance to our returns target.

Their interests

- Safe, strong and sustainable financial performance
- Facilitation of sustainable finance to meet the UN SDGs
- Progress on ESG matters, including advancing the net zero agenda

Suppliers

How we create value

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

How we serve and engage

We follow a comprehensive and transparent vendor selection process, guided by our Supplier Charter, which sets out our expectations in relation to ethics, human rights, diversity and inclusion (D&I), and environmental performance. Our suppliers must recommit to the charter annually, and performance monitoring is built into our contracts, procurement practices and standards.

In 2021, we made tangible progress against our supply chain sustainability agenda and began to integrate environmental and social risks into our Third-Party Risk management framework.

In pursuit of our ambition to be net zero in our operations by 2025, we offset emissions from our business flights, and in 2021 we developed a methodology to estimate our Scope 3 emissions from suppliers. Using this, we engaged our 200 highest-emitting vendors – who together represent three-quarters of our estimated 2020 emissions – to review their environmental goals and emissions disclosure practices as a pathway for transparent future supply chain emissions measurement. We also began to embed emissions-related clauses into relevant supplier contracts, such as printing services, to reduce our consumption and mitigate residual emissions.

Our Stands have served to further embed our supplier D&I approach. Seventy per cent of our markets now have supplier D&I objectives to take action, and accelerate progress and impact, and supplier diversity targets have been defined in key global procurement categories. More than 1,500 employees have been trained internally to build capability to deliver our supplier D&I aims. In addition, we established partnerships with multiple local and global non-governmental organisations (NGOs) to identify and onboard more sustainable and diverse-owned vendors across all our markets. Our efforts were rewarded with internal and external recognition, including the Supplier Diversity Programme of the Year in the European Diversity Awards.

During 2021, we also partnered with several suppliers to provide additional benefits to our organisation and clients. For example, we partnered with Doconomy, an innovative fintech supplier, to pilot a facility in Pakistan which helps individual clients track, measure and manage their impact on both carbon emissions and freshwater consumption. The tool provides enriched customer data and automatically calculates the CO_2 footprint based on the purchases they have made, as identified through their credit transactions. With further global release planned for 2022, the Standard Chartered–Doconomy collaboration has the potential to allow millions of consumers over time to learn how their consumption behaviours impact the climate.

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

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

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

Their interests

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

Society

How we create value

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

How we serve and engage

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

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

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

We hosted a second edition of the Futuremakers Forum, bringing Futuremakers participants together with more than 1,000 business leaders, policy experts and clients from 63 markets to build partnerships and create economic opportunities focused on young people.

As the global pandemic escalated across our markets in 2021, we continued to deliver COVID-19 economic recovery projects to support young people. In 2021, our global initiative Futuremakers by Standard Chartered reached 304,369 young people with livelihood and learning opportunities.

Their interests

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

Employees

2021 Sustainability Aspirations: Employees

People	Timeline	Status	Progress
Embed an integrated health and wellbeing strategy to support building and re-skilling a future-ready, diverse workforce	Jan 2020 – Dec 2021*	On track	Launched Global 'Building Resilience' learning programme in February 2021. Drove participation in, and awareness of, the Unmind platform. Continued roll-out of the benefit transformation programme. Launched wellbeing experiments in August 2021. * Aspiration has been extended to December 2022 to align with the 3-year wellbeing strategy (2020–2022).
Support all employees to develop a personalised growth plan to reflect the future skills needed to respond to the changing and digitised nature of work	Jan 2020 – Dec 2021	Not achieved	We ended the year at 63% completion rate against a target of 80%. However, evidence shows that the average hours invested by employees in personal development increased by 20%. This demonstrates that the learning habit is continuing to grow despite the plateau in Growth Plan completion rates.
Increase gender representation: 35% women in senior roles	Sept 2016 – Dec 2025	On track	Proportion of women in senior leadership roles has increased to 30.7%. This is an increase from 25% in 2016.
Increase our 'Culture of Inclusion' score to 84.5% with an interim target: – December 2021: 80%	Jan 2020 – Dec 2024	On track	We achieved 80.65% in 2021 consistent with our interim target and are on track for our overall 2024 target.

Concluded in the year
Achieved Not achieved

Ongoing aspirations
On track Not on track

Engaging stakeholders
continued

Employees continued

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

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

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

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

This year our annual My Voice survey was conducted in June and July. 92 per cent of our employees (71,798) took part, which is higher than last year. A further 65 per cent of eligible agency workers (2,568) also participated.

Our key measures of employee satisfaction indicate that we have continued to improve as a place to work over the duration of delivering on our People Strategy. While key measures of employee satisfaction fell in 2021, including the employee engagement index and the employee net promoter score (NPS) (which measures how likely employees are to recommend working for the us), overall employee satisfaction remained on par with or higher than it was in 2019. Employee engagement had significantly improved in 2020 as people had rallied to address the challenges created by the pandemic, but the prolonged nature of the crisis has seen many of these positive emotions balance out again.

We remain encouraged that 96 per cent of employees feel committed to doing what is required to help the Bank succeed, 89 per cent feel proud about working for the Bank and 83 per cent say that the Bank meets or exceeds their expectations. Externally, our Glassdoor rating (out of five) has continued to increase from 3.7 in 2019 to 3.9 in 2021, and 78 per cent would recommend working at the Bank to friends. Our revamped Global Careers website has had over 4 million unique views.

Investments in people leader capability and the way in which our people leaders have responded to the pandemic has also translated into a 2 point increase in our manager NPS score in the 2021 My Voice survey, sustaining a trend of ongoing improvement. Building leadership capability continues to be important as the demands on our people leaders increase.

Group KPI:
Employee engagement

Employee net promoter score (eNPS)
↓ -3.9%

2021	**12.94**
2020	17.51
2019	11.51

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

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

Analysis: While our eNPS has decreased since 2020, it stays higher than in 2019, and has significantly increased since 2016 (2.44 in 2016) when we started our culture transformation.

Employees continued

Based on the positive lessons learnt from the pandemic around productivity and employee experience, as well as listening to our employees' preferences on flexibility, in 2021 we have implemented a hybrid working model, combining virtual and office-based working with greater flexibility in working patterns and locations. The model is live in 28 of our markets with 73 per cent of employees in these markets on agreed flexi-working arrangements. This is a significant step towards being more inclusive of the diverse needs of our workforce and supporting their wellbeing by consciously balancing individual choice and flexibility with business and client needs. While we continue to roll out the model in other markets, enforced absence from offices during the pandemic has also highlighted the benefit of face-to-face interaction and we continue to value our physical workspaces as hubs of teamwork, collaboration and learning. Toolkits and guidance have been provided to colleagues and leaders to help navigate hybrid ways of working, especially at key moments such as onboarding new team members, returning from parental leave and during performance conversations, as well as to help recreate 'water cooler' moments in hybrid work environments.

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

Taking care of our leadership health

Through an experiment launched in 2021, we have supported over 4,600 employees in flexing their leadership muscles, by providing them with regular, simple and practical 'missions' on themes centred around enabling performance, empowering people, driving vision and continuing self-growth. The 60-day leadership treatment journey is driving a habit of micro-learning and democratising leadership as a capability for everyone.

Further, with our aim to provide employees the skills, tools and motivation to manage their wellbeing proactively and to deal with challenges effectively, we continue to drive awareness of our wellbeing resources that are available to all globally. These include a mental health app, a physical wellbeing online platform, an upgraded employee assistance programme, wellbeing toolkits, learning programmes on mental health and resilience as well as an expanded network of trained Mental Health First Aiders. In parallel, we are seeking to mitigate the causes of work-related stress and encourage a focus on supportive behaviours within existing processes and all decision-making. These resources and actions are having a positive impact, with fewer employees reporting frequent stress in the annual My Voice survey and 74 per cent of employees saying that they are willing to share their concerns about stress with their people leader.

In addition to leveraging inputs from employee surveys, the Board also engages with and listens to the views of colleagues through virtual, interactive engagement sessions. More information can be found on pages 113 to 114 in the Directors' report.

+ Read more about our approach to hybrid working at **sc.com/hybridworking**

Developing skills of future strategic value

The world of work continues to change rapidly. Our employees need a combination of human and technical skills to succeed both today and in the future. We're building a culture of continuous learning, empowering employees to grow, follow their aspirations and embrace the skills needed for the future. Since 2020, the average hours invested by employees in personal development has increased by 20 per cent to 27.7 hours in 2021. Over 74,000 colleagues actively used our online learning platform diSCover, which we launched in 2020, and which is now accessible via a mobile app as well. Almost 30,000 colleagues used one or more of our Future Skills Academies which include the Data & Analytics, Digital, Cyber, Client Advisory, Sustainable Finance and Leadership Academy.

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

Engaging stakeholders
continued

Employees continued

Creating a culture of inclusion and innovation

We believe that inclusion is how we will enable our diverse talent to truly deliver impact. As the pandemic extended into 2021, the need to lead inclusively in a hybrid working set-up continued to be a key expectation of our people leaders. With the focus on building a culture of inclusion, over 21,000 colleagues had undertaken the 'When we're all included' learning programme by the end of 2021, centred on increasing awareness around diversity and inclusion principles, tackling issues such as unconscious bias and micro behaviours as well as emphasising the importance of creating an inclusive environment. As we listened to employee feedback and responded to the need to better develop psychological safety, we also released an inclusive language guide and continue to review business terms to be more inclusive moving forward. In our annual My Voice survey, 80.65 per cent of employees reported positive sentiments around our culture of inclusion.

+ Read our inclusive language guide at **sc.com/inclusivelanguageguide**

Our commitment to diversity and inclusion (D&I) is now supported by more than 60 employee resource groups (ERGs) across our markets that help provide learning, development and networking opportunities. The ERGs align to our focus areas of gender, ethnicity and nationality, generations, sexual orientation, disability and wellbeing.

Our gender diversity continues to grow with more women leaders moving up to more senior roles. By the numbers, women currently represent 31 per cent of the Board, 14 of our markets have women CEOs, and representation of women in senior leadership roles increased to 30.7 per cent at the end of 2021. We are committed to continuous improvement in this area and aspire to 35 per cent representation of women at the senior level by 2025. This aspiration is further supported by programmes such as our IGNITE Coaching programme, which develops our existing female talent in preparation for future roles.

Creating an internal 'gig' economy

Our virtual talent marketplace uses artificial intelligence (AI) to match the skills, experiences and aspirations of employees across 50 markets to short-term projects and mentoring opportunities, enabling their upskilling and reskilling towards becoming future-ready. The platform also allows us to rapidly deploy talent to areas where it is most needed to deliver business priorities, unlocking productivity worth over $1.3 million so far. By the end of 2021, more than 10,000 employees had accessed over 600 cross-functional experiences via the platform, and initiated over 300 mentoring relationships.

We remain focused on building a workforce that is truly representative of our client base and footprint, with 16.4 per cent of our Global Management Team and their direct reports identifying as Black, Asian or minority ethnic. In the UK, Black representation in senior leadership is 2.4 per cent and Black, Asian and minority ethnic in senior leadership is 15.2 per cent. In the US, Black/African American representation in senior leadership is 2.7 per cent and Hispanic/Latinx in senior leadership is 9.7 per cent. We have developed strategic partnerships in the US and extended our Futuremakers RISE programme to increase the diversity of our talent pipelines. As we work towards achieving our 2025 UK and US ethnicity senior leadership aspirations which were defined last year, we continue focus on nurturing local talent in markets across Asia, Africa and the Middle East to ensure we reflect the diversity of our global clients. In 2021, we provided employees, where legally permissible, the ability to self-identify ethnicity data through our online systems and started educating on the value and purpose of collecting this information. We expect increased participation and self-declaration of ethnicity to allow us additional insights towards building an even more representative workforce.

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

Our progress continues to be recognised externally – we are the first financial services organisation to achieve the second highest level of EDGE Strategy Certification in Malaysia and Sri Lanka; we've ranked as a Diversity Leader for the second consecutive year in the Financial Times report on Diversity and Inclusion in Europe; ranked for the first time within the Top 100 organisations Refinitiv (formerly Thomson Reuters) Diversity and Inclusion Index; ranked as one of the World's Best Employers in Forbes for the first time; and also recognised at the European Diversity Awards for our Supplier Diversity Programme. In addition to the Group being recognised, six of our colleagues feature on the HERoes Women Role Models List, three on the Empower Ethnic Minority Role Models List and two on the OUTstanding LGBTQ+ Role Models Lists.

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

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

Employees continued

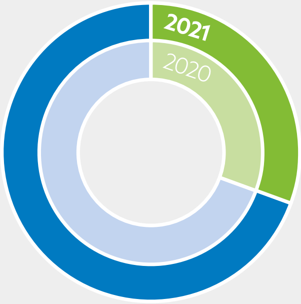
Female representation

Board

Female
31%
(2020: 31%)

Female
4

Male
9

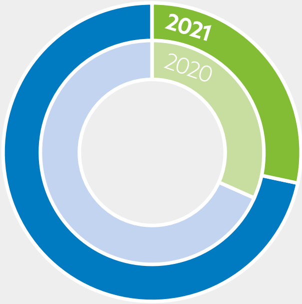


Management Team and their direct reports

Female
28.4%
(2020: 31.8%)

Female
33

Male
83



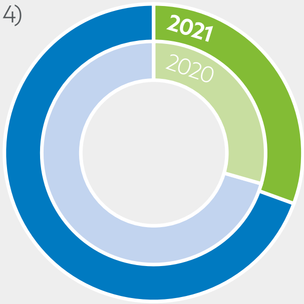
Senior leadership
(Managing directors and band 4)

Female
30.7%
(2020: 29.5%)

Female
1,299

Male
2,920

Undisclosed
8



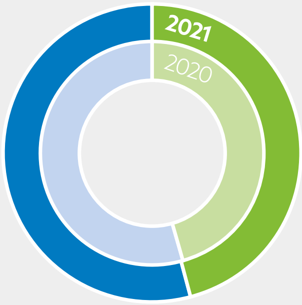
All employees

Female
45.5%
(2020: 45.4%)

Female
37,281

Male
44,045

Undisclosed
631



Gender pay gap and equal pay

We continue to analyse our gender pay gap for the UK, Hong Kong, Singapore, UAE and US. The gender pay gap compares the average pay of men and women without accounting for some of the key factors which influence pay, including different roles, skills, seniority and market pay rates.

Compared with last year, our mean hourly pay gaps have remained flat or reduced across the UK, Singapore and US. Our mean bonus pay gaps have increased slightly except for in Singapore. Our gender pay gaps are caused by there being fewer women in senior roles and in business areas where market rates of pay are the highest. We understand it will take time to see the level of change needed to significantly reduce our gender pay gaps and we remain committed to our initiatives to support gender diversity.

When the pay of men and women at the same level and in the same business area are compared, our gender pay gaps remain significantly smaller. The remaining gaps exist due to differences in the market pay level for different types of roles at the same level and in the same business areas, and differences in the relative positioning of the pay of each role holder around the market benchmark.

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

We have been reporting our gender pay gaps for several years and support initiatives that will enable a truly diverse workforce. We responded to the UK Government consultation on ethnicity pay gap reporting and are considering potential ways to draw from available data to inform our inclusion strategy. Obtaining significant enough disclosure of ethnicity data remains a challenge and we are taking steps to encourage disclosure, where possible, so we can develop our approach.

+ Read more about this in our gender pay gap report at **sc.com/genderpaygap**

2021 Gender pay gap	UK	Hong Kong	Singapore	UAE	US
Mean hourly pay gap	27%	21%	33%	31%	23%
Mean bonus pay gap	52%	42%	44%	58%	46%

Partnering with Doconomy to cut carbon

We've partnered with Doconomy, a Sweden-based impact tech company, to pilot a tool that helps our clients manage their everyday climate impact. Our clients in Pakistan can now calculate the carbon emissions of any goods and services purchased on their credit cards and track their carbon footprint using our online banking service.

Read more online at **www.sc.com/doconomy**

Sustainable and responsible business

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

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

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

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

We have set long-term ambitions for our role in tackling the severe impacts of climate change, stark inequality and unfair aspects of globalisation that impact everyone and the planet. See pages 24-25 for more detail on how we are taking a stand.

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

The following pages set out our approach and progress towards our most material sustainable and responsible business topics. Further information on our approach to climate change can also be read in our TCFD report at **sc.com/tcfd**.

In 2022, we also intend to provide additional ESG-related information via our ESG report. This will include alignment index tables for disclosures relevant to the GRI, SASB and World Economic Forum frameworks, and will be available at **sc.com/ESGreport** in Q1 2022.

See **pages 51 to 59** to read how engagement with stakeholders informs our approach to sustainable and responsible business

For more information on our sustainability governance see **pages 276-277** and **sc.com/tcfd**

Group KPI: Sustainability

Delivering Sustainability Aspirations %
+ 4.5 ppt Sustainability Aspirations achieved or on track[1]

2021	**82.9**
2020	78.4
2019	93.1

1 Each aspiration contains one or more performance measures. The KPI is the proportion of all measures that have been achieved or are on track to be delivered at the end of the reporting period.

See **pages 455 and 466** for a full list of our 2022 Sustainability Aspirations

For more information on our Responsible Business Standards and Policies see **sc.com/standardsandpolicies**

Our Sustainability Aspirations

Our approach is underpinned by our suite of Sustainability Aspirations that set out how we aim to promote social and economic development, and deliver sustainable outcomes in the areas in which we can make the most material contribution to the delivery of the UN SDGs.

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

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

At the end of 2021, 82.9 per cent of our Aspirations are on track or achieved. This is an increase from 78.4 per cent in 2020; however, COVID-19 continued to impact the delivery of several Aspirations. Further detail on each Aspiration can be found between pages 55 and 77. We remain focused on scaling up delivery in subsequent years to achieve our targets.

To ensure stakeholder confidence in our approach, we have conducted a limited-scope assurance exercise over performance data related to selected Aspirations, see **sc.com/aspirationsassurance**. The findings of this exercise will contribute towards our continued work to strengthen how we track and report progress on our Aspirations, including as part of our commitment to the UN Principles for Responsible Banking.

Sustainable and responsible business
continued

Pillar 1: Business

Do more good – promoting sustainable finance

Clients

Investors

Society

Our main impact on the environment and society is through the business activities we finance. Through our core business, we promote sustainable finance in our markets, expanding renewables, and financing and investing in sustainable infrastructure where it is needed most.

We want to make the world a better, cleaner and safer place and minimise the negative impact of our financing, balanced by our mission of enabling a just transition. In other words, do more good and less harm.

2021 Sustainability Aspirations: Business

Infrastructure	Timeline	Status	Progress
Facilitate project financing services for $40 billion of infrastructure projects that promote sustainable development that align to our verified Green and Sustainable Product Framework	Jan 2020–Dec 2024	○	Facilitated $9.6 billion, bringing the total facilitated since January 2020 to $12 billion.
Climate change			
Facilitate $35 billion worth of project financing services, M&A advisory, debt structuring, transaction banking and lending services for renewable energy that align to our verified Green and Sustainable Product Framework	Jan 2020–Dec 2023	✓	Facilitated $22 billion, bringing total facilitated since January 2020 to $40.4 billion. We have therefore achieved this Aspiration ahead of the end 2023 target.
Only provide financial services to clients who are: • by 2024, are less than 80% dependent on thermal coal (based on % EBITDA at group level) • by 2025, are less than 60% dependent on thermal coal (based on % EBITDA at group level) • by 2027, are less than 40% dependent on thermal coal (based on % EBITDA at group level) • by 2030, are less than 5% dependent on thermal coal (based on % EBITDA at group level)	Jan 2020–Jan 2030	○	In 2020, we ceased new business with four clients and have now exited these relationships subject to any outstanding contractual arrangements. In light of the recent strengthening of our coal policy, we are now on track to transition or exit all clients at an entity level that are greater than 80% dependent on thermal coal, subject to any outstanding contractual arrangements. *In 2021, we changed from EBITDA to revenue basis. See page 455.
Commit to measuring, managing and reducing emissions associated with our financing of clients to support our objective to achieve net zero by 2050. We will develop and consult with shareholders, investors, clients and civil society on a definition, methodology, targets and timeline	Jan 2020–Dec 2021	✓	In October 2021, we announced ambitious new targets to reach net zero carbon emissions from our financed activity by 2050. We have further incorporated these new targets into our 2022 Aspirations. See page 455.
Entrepreneurs			
Provide $15 billion of financing to small business clients (Business Banking)	Jan 2020–Dec 2024	○	Provided $2.96 billion, bringing the total provided since January 2020 to $5.96 billion.
Provide $3 billion of financing to microfinance institutions	Jan 2020–Dec 2024	○	Provided $617.5 million, bringing the total facilitiated since January 2020 to $1.13 billion.

Concluded in the year
✓ Achieved △ Not achieved

Ongoing aspirations
○ On track △ Not on track

Pillar 1: Business continued

2021 Sustainability Aspirations: Business continued

Retail Banking	Timeline	Status	Progress
Launch a suite of five core sustainability-focused Retail Banking products in selected markets across our footprint	Jan 2021–Dec 2022	Achieved	Five products were successfully launched during 2021, achieving this Aspiration a year ahead of schedule. These were: i) Sustainable Term Deposits in Singapore, Indonesia and Taiwan, and sustainable Current Account Savings Accounts in Hong Kong ii) Carbon-neutral cards in Singapore, Bangladesh, Malaysia and Hong Kong iii) Green home loans in Hong Kong, Singapore and Taiwan iv) Green home renovation financing – extended preferential pricing to help clients acquire solar energy and water treatment equipment in Kenya v) ESG unit trusts available in 16 markets.
Commerce			
Bank 10,000 of our clients' international and domestic networks of suppliers and buyers through banking the ecosystem programmes	Jan 2020–Dec 2024	On track	Enrolled 3,473 suppliers and buyers, bringing the total enrolled since Jan 2020 to 7,153.
Digital			
Roll out digital-only banks in a total of 12 markets	Jan 2020–Dec 2021	Not achieved	We have launched digital-only banks in 10 markets since January 2020. Further launches in Bahrain and the United Arab Emirates have been delayed and are expected to launch in 2022.
Double the number of clients we bank in Africa and the Middle East to 3.2 million	Dec 2017–Dec 2021[1]	Not achieved	At the end of 2021 we had a total of 2,366,000 digital clients in the AME region. COVID-19 has impacted our ability to onboard new clients during periods of lockdown. We will continue to enhance our capabilities through 2022.
Impact finance			
Develop a tailored Impact Profile for all Private Bank clients providing a framework that enables them to understand their passions and harness capital market solutions to support the SDGs	Jan 2020–Dec 2024	Not on track	The goal of the Impact Profile tool was to include ESG elements as a part of understanding a client's financial profile and to enable conversations with clients based on preferences. As part of our October 2021 net zero approach, we plan to integrate ESG considerations in our wealth management advisory which are incorporated into our updated 2022 Aspirations and will replace this Aspiration (see page 455).
Triple the value of sustainable investing Assets Under Management[2]	Jan 2021–Dec 2024	On track	Our Sustainable Investing Assets Under Management (AUM) has grown by 2.79 times. For 2022, we will replace this Aspiration with a more ambitious Sustainable Investing AUM Aspiration (see page 456) as part of our net zero Aspirations which will expand products covered to include exchange traded funds (ETFs), bonds, equities, structured products among others. This is more holistic than the current Aspiration covering only mutual funds.
Roll out ESG scores for single holding investments and funds where applicable ESG scores are available from third-party data providers	Jan 2021–Dec 2021	Achieved	Sustainalytics ESG risk ratings available on equity derivatives and fixed income trade notes since August 2021 for both Private Bank and Consumer (Affluent).

Concluded in the year
Achieved   Not achieved

Ongoing aspirations
On track   Not on track

1 This start date has been restated to reflect the period over which baseline data has been gathered

2 This has been amended from 'percentage' as previously disclosed, to 'value'

Sustainable and responsible business
continued

Pillar 1: Business continued

We create and offer sustainable finance products that support sustainable development. In 2021, we launched 13 new sustainable finance products, including sustainable current and savings accounts for both our CCIB clients and retail customers, and green mortgages in some of our key markets, Singapore, Hong Kong and Thailand.

Our Green and Sustainable Product Framework guides our labelling of sustainable assets internally. The Framework was developed, and is reviewed annually, in collaboration with the leading provider of ESG and corporate governance research, Sustainalytics.

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

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

Together, these Frameworks define the activities that count towards our target to mobilise $300 billion in green and transition finance by 2030, the key driver of our ability to meet our net zero targets.

Between July 2020 and June 2021, our Sustainable Finance asset base increased by 138 per cent year-on-year to $9.2 billion. This increase was driven by organic growth coupled with the identification of existing exposures that had not previously been tagged as green or sustainable. With more than 84 per cent of these assets located in Asia, Africa and the Middle East, our dedicated Sustainable Finance team is focused on accelerating the deployment of sustainable finance to the markets where it matters the most.

Our second Sustainable Finance Impact Report found that our green lending avoided 1.4 million tonnes of CO_2 emissions from July 2020 to June 2021, a 264 per cent increase in CO_2 avoided year-on-year, and equivalent to more than 3 million economy class aeroplane seats from London to Singapore. Our green assets in Organisation for Economic Cooperation and Development Development Assistance Committee (OECD-DAC) least developed, lower- and lower-middle income markets have achieved significantly more impact in terms of CO_2 emissions avoided per dollar invested than our green asset base in the rest of the world. This reinforces the findings of our Opportunity2030 Report and emphasises the need to keep finance flowing to the markets in our footprint where it matters most and can have the greatest impact.

We also made progress towards our Aspirations for small business lending ($15 billion, January 2020 to December 2024) and microfinance ($3 billion, January 2020 to December 2024), enabling more than 885,000 microfinance loans and providing nearly 20,000 loans to small and medium enterprises, often the powerhouses of the economy in many of our markets.

In 2020, we announced that we would commit $1 billion of not-for-profit financing for companies that provide goods and services to help in the fight against COVID-19. By the end of 2021, we had approved $930 million of this, and dispersed $782 million. This has helped businesses across our markets manufacture and distribute emergency ventilators, face masks, protective equipment and sanitisers, and governments to finance the purchase of World Health Organisation approved COVID-19 vaccines.

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

We will continue to grow our sustainable finance proposition, and increase lending into areas aligned with the SDGs.

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

+ Read our Sustainable Finance Frameworks: **sc.com/sustainablefinanceframework**

+ Read our Opportunity2030 Report: **sc.com/opportunity2030**

→ See our 2021 Sustainability Aspirations on **page 62**

Do less harm – managing environmental and social risk

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

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

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

Pillar 1: Business continued

We identify and assess E&S risks related to our CCIB clients, and embed our E&S risk framework directly into our credit approval process. Where required, we proactively engage with clients to mitigate identified risks and impacts and support them to improve their E&S performance over time. All relationship managers and credit officers are provided with access to detailed online resources and E&S guidelines, and offered training in assessing E&S risk against our criteria. During 2021 we provided training to 1,280 colleagues.

Our approach remains to work with clients to improve their E&S performance with specific timebound action plans. Where clients are unable or unwilling to meet our requirements, we will ultimately exit those relationships, subject to contractual obligations. During 2021, we reviewed 786 clients and 547 transactions that presented potential specific risks against our Position Statements.

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

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

+ Read more about our Position Statements at **sc.com/positionstatements**

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

+ Read more about our reporting against the Equator Principles at **sc.com/equatorprinciples**

Responding to climate change

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

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

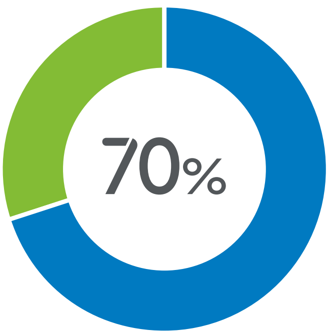
Accelerating sustainable finance

The need for a just transition to an inclusive, net zero economy brings with it a huge opportunity for innovation and growth for our clients and our Bank. We are uniquely placed to help by directing capital to markets that have both the greatest opportunity to adopt low-carbon technology, and some of the toughest transition-financing and climate challenges. As set out on page 64, we plan to mobilise $300 billion aligned to our Green and Sustainable Product Framework, and Transition Finance Framework.

Reducing our direct and financed emissions

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

To achieve this, we have set out our roadmap to reduce financed emissions, finance transition projects and accelerate new solutions. Read more about our approach to net zero at **sc.com/netzero.**



Over 70 per cent of our Sustainable Finance assets are located in emerging and developing economies.

1.4m tonnes

CO_2 avoided from operational assets

Sustainable and responsible business
continued

Pillar 1: Business continued

We aim to reduce absolute financed thermal coal mining emissions by 85 per cent by 2030, in addition to the existing prohibition on financing new or expanding coal-fired power plants. We are also reducing emissions intensity in other high-carbon sectors, setting interim targets for power (-63 per cent emissions intensity), steel and mining (-33 per cent emissions intensity respectively), and oil and gas (-30 per cent emissions intensity).

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

We are also committed to reducing the emissions we produce, and in 2021 we brought forward our target to achieve net zero in our operations from 2030 to 2025.

With approximately 12,100 suppliers, we understand that there can be significant carbon emissions associated with the procurement of goods and services and a potential physical impact on our supply chain that may impact our ability to serve our clients. In 2021, we developed a methodology to measure our supplier Scope 3 emissions and used this to engage our top-emitting suppliers to understand their climate-related actions, goals and overall alignment with our sustainability agenda.

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

Managing the financial risk from climate change

Managing the financial risks from climate change remains a key priority for the organisation. Throughout 2021, we continued to embed climate risk management into our ERMF, understanding the impact of physical and transition risks on our credit portfolio and climate related reputational risks for clients in high transition sectors.

In 2022, we will extend this to cover other relevant Principal Risk Types. Climate scenario analysis across our markets, including the Bank of England's 2021 Biennial Exploratory Scenario, have helped improve our understanding in identifying key portfolios vulnerable to climate risk.

In partnership with peers, industry and academia, we are transitioning from measurement to management of climate risk. Through ongoing partnership with Imperial College London, we supported the publication of a new climate research which revealed the potential for nature-based solutions to tackle the interlinkages between agriculture, land-use and climate change.

Principal Board decision – our pathway to net zero

As part of the consideration process for approving the net zero pathway, the Board had to ensure it was comfortable with the methodology, the potential outcome of applying the methodology and the substance of the pathway, all set within the context of an agreed and robust risk management framework. To achieve this, the Board participated in several discussions during the year and provided valuable input across a number of areas, taking into account the impact on the Group's stakeholders. Examples of such considerations were:

- the risk that some clients may consider the Group's approach too aggressive, or conversely that it does not go far enough, considering in particular the challenges of the Group's footprint in emerging markets and developing countries and recognising the differing pathways to net zero in different markets and the need to support and facilitate a just transition
- the impact of the pathway on ongoing discussions with civil society groups, such as NGOs
- likely stakeholder reaction including governments, regulators, communities and clients as well as investors and NGOs to the methodology
- when to announce the pathway and how this would impact certain stakeholders
- the significant level of engagement the Group had undertaken with some stakeholders, including investors and NGOs, while formulating the net zero pathway
- the importance of providing opportunity for feedback from those stakeholders not already consulted once the pathway was published
- the content of the communications material to be published to ensure effective readability for stakeholders
- future reporting of progress against the pathway to the market
- the potential opportunities of Transition Finance offerings for clients
- the importance of supporting the transition for many clients towards lower-emitting technologies to support a just transition
- the intended plan to put the pathway to an advisory vote at Standard Chartered PLC's 2022 Annual General Meeting (AGM) in recognition of how important this is to our shareholders and other stakeholders

Stakeholder considerations were taken into account in the Board's oversight of the net zero pathway among many other factors. As a result, the Board, cognisant of the methodological approach and interest in the pathway by shareholders and other stakeholders, approved the recommended pathway and communications plan.

Summary of Standard Chartered's TCFD response

Standard Chartered publicly committed to the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations in 2017 and has subsequently released annual TCFD reports since 2018.

Our comprehensive TCFD disclosure is published in a standalone report which provides information in a readily identifiable and accessible format for all interested stakeholders. This can be accessed at **sc.com/tcfd**. The table below sets out the 11 TCFD recommended disclosures and summarises the progress we have made in 2021. Through consistency with the TCFD recommendations, we have achieved compliance with the listing rules.[1]

Governance

	Current status	Future priorities
Board oversight of climate-related risks and opportunities	• In 2021, we held Board-level and Management Team training on our approach to net zero and Board-level training, delivered by Imperial College London, on climate scenarios to support the Board with their review and challenge of climate related regulatory stress testing. • The Board reviewed and approved our approach to reaching net zero carbon emissions from our financing by 2050 and associated interim targets. • The Board received regular Climate Risk updates via the Board Risk Committee (BRC) and reports from the Group Chief Risk Officer. • First-generation Climate Risk reporting and Management Level Risk Appetite metrics were shared with the BRC and approved by the Group Risk Committee which has oversight of Climate Risk.	• We aim to enhance Climate Risk training to our subsidiary boards, building on initial training delivered in 2020. • Results of management stress tests will be reviewed and challenged by the BRC and will strengthen the Board's oversight of the impact from Climate Risk on our business, financial performance and operations and strengthen business strategy and financial planning.
Management's role in assessing and managing climate related risks and opportunities	• The Group Chief Risk Officer (CRO) has Senior Management Responsibility for Climate Risk and is supported by the Global Head, Enterprise Risk Management who has day-to-day oversight, and has appointed the Climate Risk Management Forum that oversees the delivery of the Group's commitment to manage climate related financial and non-financial risks. • In 2021, we established a robust governance structure to support our net zero approach through the Net Zero Steering Group chaired by the Group Head, Conduct, Financial Crime & Compliance. • We aim to strengthen business segment, country, and regional Climate Risk governance and continue to keep the Management Team updated through the Group CRO reports and Management Information report to the GRC.	• We will continue to exercise appropriate oversight and governance of our approach to net zero at Board and Management Team level. • We aim to strengthen business segment, market, and regional Climate Risk governance and continue to keep the Management Team updated through the Group CRO reports and Management Information report to the GRC.

Strategy

	Current status	Future priorities
Climate-related risks and opportunities identified over the short, medium and long term	• We have assessed the impact of climate risk to the banking book under three transition scenarios over a 30-year time horizon, which has enabled us to identify climate risks, strategies to mitigate risk as well as climate opportunities. • In 2021, we identified climate-related opportunities linked to the Bank's net zero in financed emissions approach including aiming to: – mobilise $300 billion in green and transition finance – reduce absolute financed thermal coal mining emissions by 85% – reduce emissions intensity in other high carbon sectors with the interim 2030 targets including power (-63% emissions intensity), steel and mining (- 33% emissions intensity respectively), and oil and gas (-30% emissions intensity). • We use quantitative and bottom up tools and methodologies to assess transition and physical climate risk and we apply these to our clients, portfolios, and our own operations.	• We will continue to develop and enhance our Climate Risk/opportunity identification, interplay and modelling capabilities to strengthen climate risk quantification. This includes consistency and where possible, uniformity of time horizons. • We aim to disclose annually the progress we are making against our $300 billion and other net zero targets and build out our client capability to achieve our net zero through: – our newly developed Transition Acceleration Team – reporting mortgage emissions with a view to setting targets by 2023 – doubling our sustainable investing assets under management – launching and growing sustainable products including Universal Climate Finance Loans, green mortgages and sustainable investing offerings while integrating ESG considerations in our wealth management advisory activities.

1 Some of the data, metrics and methodologies used in relation to the Group's TCFD report which is summarized in this section is subject to limitations. The reader should treat the information provided, and conclusions and assumptions drawn from the underlying data with caution. The limitations to the data, metrics and methodologies as well as the basis on which the Group's TCFD report was made are set out in the **Important Notice – Basis of Preparation and Caution Regarding Data Limitations** section of the Group's TCFD report available at sc.com/tcfd.

Sustainable and responsible business
continued

Summary of Standard Chartered's TCFD response continued

Strategy

	Current status	Future priorities
Impact of climate risks and opportunities on business, strategy and planning	• Sustainability has been elevated to become a pillar of the Group's strategy. • We continue to restrict financing of thermal coal mining and reduce emissions intensity in other carbon intensive sectors. Where clients do not show a sufficient level of commitment to the transition, we reserve the right to cease providing them with our services. • In 2021, we engaged with approximately 2,000 of our clients, to help understand their exposure to climate risk and identify climate opportunities. • To make our business model more resilient to Climate Risk we are already reducing appetite for selected high-carbon sectors such as coal, in support of our plan to reach net zero in our financing by 2050, whilst balancing transition risk and opportunity with ambitious interim targets to substantially reduce our financed carbon emissions intensity by 2030.	• We will develop Climate Risk management scenarios, which will further inform us of the potential impact from Climate Risk on our business, financial performance and operations and strengthen business strategy and financial planning.
Climate-related scenario analysis	• Our climate-related scenario analysis, based on those from the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), includes orderly, disorderly and hot-house world scenarios.	• We will develop management scenarios that will strengthen considerations of Climate Risk in into the Group's corporate plan and net zero strategy.

Risk management

	Current status	Future priorities
Identifying and assessing climate-related risks	• We identify physical and transition risk as part of client, portfolio and own property assessments and consider: – Physical risk: current day and longer term time horizons for acute weather events (storm, flood, wildfire, earthquakes) and chronic sea level rise. – Transition risk: financial impact at a client level under a range of NGFS based scenarios. – Temperature alignment: provides a temperature score to indicate client and portfolio level global warming potential up to 2030. • Climate Risk is recognised in our central Enterprise Risk Management Framework (ERMF) as an integrated risk type and is managed in-line with the Principal Risk Type (PRT) impacted e.g. Credit, Market, Operational. • Climate Risk is assessed as part of regulatory stress testing through the annual Internal Capital Adequacy Assessment Process (ICAAP), the 2021 Bank of England Climate Biennial Exploratory Scenario (CBES), and local country regulatory stress tests. • In 2021 client engagement has improved the coverage of data that informs the climate client level risk assessments being integrated into the credit underwriting process.	• Further embedding of Climate Risk management across PRTs, consideration of risk mitigation over time as methodologies mature and expanding coverage across products and markets.
Managing climate-related risks	• Climate Risk is managed in accordance with the Principal Risk Type (PRT) through which it manifests. Depending on the PRT framework, it is applied at a client, location or portfolio level as part of transactional, portfolio or operational level analysis for prioritised areas. • There is a Risk Appetite (RA) Statement that is accompanied by RA metrics that are based on potential losses under different climate scenarios and these RA metrics are reported to the GRC.	• Risk Appetite thresholds become effective in 2022.
Integrating into the organisation's overall risk management	• Climate Risk is integrated into and managed as part of existing PRTs: – Credit Risk: Climate Risk (physical and transition) assessments are being incorporated into the credit underwriting process for CCIB clients. For our CPBB sector, physical risk considerations inform credit portfolio quarterly reviews for over 90% of the retail mortgage portfolio. – Operational and Technology Risk: all new property sites are assessed for physical risk vulnerabilities. – Traded Risk: a physical risk-based scenario is included as part of the Traded Risk stress testing framework. – Country Risk: the setting of Country Risk limits include Climate Risk as a factor and regional Country Risk reviews for sovereign credit grades continue to include Climate Risk considerations. – Reputational and Sustainability Risk: for prioritised high-carbon clients and transactions a Climate Risk overlay assessment is applied (in addition to Environmental and Social Risk Management and restrictive policies). – Compliance: a process has been established for tracking various Climate Risk-related regulations. – Treasury Risk: Climate Risk was considered as part of the 2020 and 2021 ICAAPs.	• Continue to embed Climate Risk considerations within PRTs, including expanding CCIB coverage.

Summary of Standard Chartered's TCFD response continued

Metrics and Targets

	Current status	Future priorities
Metrics used to assess and manage climate-related risk and opportunities in line with strategy and risk management processes	• Early stage risk management metrics are used for quantifying transition and physical risk at a client and portfolio level, and for our own operations. These are used for different processes such as regulatory stress testing, monitoring climate risk as part of Risk Appetite reporting, and to inform the assessments being integrated into existing transactional risk processes and client reviews. Some metrics we use include: – financial impact of various transition scenarios up to 2050, expressed as weighted average probability of default – outstanding exposure of retail mortgage portfolios to current and forward looking physical risk events (flooding, storm, wildfire, future sea level rise) – percentage of our own offices, branches and data centres in locations at extreme gross physical risk events – Country-Climate Risk index ranking countries by physical and transition risk. • In 2021, we expanded our disclosures to include: – the financial impact on exposure to high-carbon sectors loans and advances.	• Continue to refine and enhance coverage and application of Climate Risk related metrics as our tools and methodologies mature, with a greater focus on developing internal climate modelling capabilities and assessing the implications of an internal carbon price where possible.
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks	• Our 2021, our Scope 1 emissions were 2,902 tonnes carbon dioxide equivalent (tCO_2e), a reduction of 27 per cent from 2020, and Scope 2 emissions were 82,761 tCO_2e, a reduction of 27 per cent from 2020. • In 2021, our Scope 3 air travel emissions were 3,654 tCO_2e, a reduction of 89 per cent from 2020. • In 2021, we baselined and estimated our 2020 Scope 3 supply chain emissions (vendors), using spend data. As a result of this exercise we estimate these emissions as 365,911 tCO_2e. • We measured the absolute financed emissions baseline of our corporate lending portfolio as of 2020-year end, focusing on $74.8 billion of assets (equating to a coverage of 77 per cent of our in-scope assets of $97.3 billion, equal to 45.2 million metric (Mt) CO_2e). There is currently insufficient available data to accurately reflect the financed emissions of the remaining 23 per cent of our in-scope assets. A linear extrapolation would translate to an overall baseline of up to approximately 59Mt CO_2e. • In 2021, we offset our Scope 1-3 (flights and data centres) through high quality and verifiable carbon credits at a cost of $7.65/tonne.	• We will continue to extend our Scope 3 financed emissions measurement capabilities, targeting additional sectors and incorporating additional financial products as methodologies allow. For 2022, a specific priority will be baselining the emissions from our residential mortgage lending.
Targets used by the organisation to manage climate related risks and opportunities and performance against targets	• We have continued to evolve and challenge our existing Sustainability Aspirations including setting interim and long-term targets to reach net zero in our operations by 2025 and net zero in our financed emissions by 2050. • In 2021, we facilitated $9.6 billion towards sustainable infrastructure and $22 billion towards renewable energy services. • In 2021, metrics and targets developed and disclosed include: – plan to mobilise $300 billion aligned to our Green and Sustainable Product Framework and Transition Finance Framework – measuring, managing and reducing emissions associated with our financing of clients to support our objective to achieve net zero by 2050.	• We will annually disclose against our 2050 net zero in financing targets. • We will continue to drive consistency of use of targets across the Group's functions and build our knowledge of the interrelation between targets.

Sustainable and responsible business
continued

Pillar 2: Operations

Clients
Suppliers
Regulators and governments
Society

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

2021 Sustainability Aspirations: Operations

Environment	Timeline	Status	Progress
Reduce annual greenhouse gas (GHG) emissions (Scope 1 and 2) to net zero by 2030 with an interim target: Dec 2021: 106,000 tCO_2e Dec 2025: 60,000 tCO_2e	Jan 2019–Dec 2030*	○	Surpassed interim targets, achieving 85,662 tonnes CO_2 equivalent (tCO_2e) based on continued efficiency work across the estate, plus an accelerated renewable energy programme. *In 2021, we brought forward our ambition target to achieve net zero GHG emissions in our operations to December 2025. See page 455.
Source all energy from renewable sources	Jan 2020–Dec 2030*	○	Renewable energy was up 89% in 2021, representing 15% of total energy consumed (28.2 of 183 GWh) globally, an increase from 7% (14.9 GWh) in 2020. *In 2021, we brought forward our target to achieve net zero emissions and ensure we only consume renewable energy across our portfolio to 2025. See page 455.
Join the Climate Group 'RE100'	Jan 2021–Dec 2021	✓	We engaged with RE100 during the year as they developed criteria for financial institutions seeking to become RE100 members. Following finalisation of those criteria, we joined RE100 as a standard member which was formalised in January 2022.
Achieve and maintain flight emissions 28% lower than our 2019 baseline of 94,000 tonnes.	Jan 2021–Dec 2023	○	Flight emissions reduced 96% from 2019's baseline, far exceeding the target. This reduction was primarily driven by the COVID-19 pandemic reducing all travel.
Reduce waste per colleague to 40kg per year	Jan 2020–Dec 2025	○	Total waste produced in 2021 was 43kg per colleague compared with 65kg per colleague in 2020. Reduction was largely due to more people working from home in light of COVID-19 pandemic. We also reduced the number of our printers, disposable cutlery, containers and utensils as well as introducing on-site food composting.
Recycle 90% of waste	Jan 2020–Dec 2025	○	32% of waste was recycled during the year, up from 23% in 2020.
Develop a methodology to measure Scope 3 emissions from our supply chain	Jan 2021–Dec 2021	✓	Methodology to measure Scope 3 emissions from our supply chain was developed and approved by the Sustainability Forum in June 2021. Total supply chain emissions from our vendors was estimated to be 365,911 tonnes in 2020. 2021 figures are in progress and will be reported in 2022.
Offset all residual emissions from our operations (Scope 1 and 2, Scope 3 flights, waste and data centres)	Jan 2021–Dec 2021	✓	We have achieved our 2021 carbon offset Aspiration to offset all residual emissions through the following providers: First Climate, CiX and Rabobank. Total volume of emissions offset was 136,000 tonnes at an average price of $7.65/tonne.

Concluded in the year
✓ Achieved   △ Not achieved

Ongoing aspirations
○ On track   △ Not on track

Pillar 2: Operations continued

Conduct	Timeline	Status	Progress
Learn from risks identified through concerns raised via our Speaking Up programme and conduct plans and publish an annual Threats and Themes Report	Ongoing	Achieved	Threats and Themes report was issued in April 2021.
Develop enhanced internal policies and guidelines on privacy, data ethics and algorithmic fairness, and embed a new governance framework for all data-related risks	Jan 2020–Dec 2021	Achieved	The three existing Data Management Standards covering data quality, records management, and privacy were refreshed to ensure better alignment and consistency. The Responsible Artificial Intelligence (RAI) guidelines were upgraded into a formal Group RAI Standard under the Group's ERMF in July 2021. The RAI Standard was further updated during the year and a new Sovereignty Standard was drafted. Guidelines to accompany the Data Quality Standard were enhanced and published in November 2021. A Group-wide risk control and self-assessment exercise was concluded in 2021 covering risks in data quality, records management and privacy.

Financial crime compliance	Timeline	Status	Progress
Tackle financial crimes by contributing to developing typologies and red flags for financial flows, training frontline staff to identify potential suspicious transactions, and participating in public-private partnerships to share intelligence and good practices	Ongoing	Achieved	We actively contribute to building industry capacity, including via hosting a two-day virtual Africa Anti-Money Laundering Symposium and providing input to forestry crimes and wildlife trade work by the United Nations and Financial Action Task Force over the course of 2021. Supporting this, we continue to train our staff across the Bank on financial crime risks including via mandatory training delivered to all staff.
Deliver at least 50 correspondent banking academies	Jan 2021–Dec 2023	Not achieved	The challenging COVID-19 landscape has made delivery of correspondent banking academies very difficult. Both internal strategic priorities, and external client education requests/needs are shifting. We will therefore retire this Aspiration and refocus our attention to a more robust future strategy which will extend the reach of the academy construct to a broader set of financial institution clients, and extend the topics beyond the framework historically offered by the academies.

Concluded in the year
Achieved Not achieved

Ongoing aspirations
On track Not on track

Driving good conduct and ethics

Good conduct is critical to delivering positive outcomes for our clients, markets and stakeholders.

Our Group Code of Conduct (the Code) remains the primary tool through which we set our conduct expectations. The Code supports all our policies, setting out minimum standards and reinforcing our valued and expected behaviours. It also outlines a decision-making framework to help colleagues make good decisions. To reinforce our shared commitment to the highest possible standards of conduct, each year we ask our colleagues to reconsider what the Code means to them through a refresher e-learning, and recommit to it. In 2021, 99.6 per cent of our colleagues completed this.

In 2021, Conduct Risk became an integral component of the ERMF, ensuring it is considered within each Principal Risk Type. A new management approach using targeted metrics, analytics and data to enhance our Conduct Risk identification and mitigation will be rolled out in phases across 2022.

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

The ability to raise concerns is essential to upholding the Group's Here for good brand and valued behaviours. Early disclosure of concerns reduces the risk of financial and reputational loss caused by misconduct. We encourage colleagues, contractors, suppliers and members of the public to raise concerns to our Speaking Up whistleblowing programme which offers secure, independent and confidential channels to report known or suspected misconduct without fear of retaliation. Examples of whistleblowing concerns include breaches of regulatory requirements, breaches of Group policy and/or standards, or behaviour that has adverse effects on colleagues or on the Group's reputation. Our 2021 My Voice survey showed 87 per cent of colleagues felt confident to raise concerns without fear of reprisal.

Sustainable and responsible business
continued

Pillar 2: Operations continued

In 2021, we saw the volume of concerns fall by 4 per cent, driven in part by the change in working arrangements during the COVID-19 pandemic. During the year, we closed 285 Speaking Up cases. Of the top three substantiated themes closed in 2021, 17 related to sexual harassment, 12 to information and cyber security breaches and 12 related to failure to ensure occupational health and safety. Together, these account for approximately 34 per cent of substantiated cases. In comparison with previous years we saw fewer instances of concerns related to theft of information, personal account dealing and close personal relationships.

For the substantiated investigations, a range of corrective actions were recommended including process improvements, targeted coaching, training, and disciplinary sanctions ranging from verbal warnings to dismissals.

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

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

Speaking Up cases

			Closed[3]	
Year	Total raised[1]	In scope[2]	Substantiated[4]	Unsubstantiated
2021	**1,159**	**256**	**119**	**166**
2020	1,209	273	115	135
2019	1,382	294	179	189

The data in these reporting periods has been updated as at 31 December 2021.

1 Total concerns raised within the reporting year

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

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

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

5 Case numbers reported in prior years differ from those reported in this period due to closed cases being either reclassified, based on new information, or updated for administrative reasons

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

Fighting financial crime

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

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

During 2021, 41 processes (representing 7.3 per cent of our identified process universe within the Operational Risk & Technology Framework) were identified as susceptible to bribery and corruption-related risk. All processes are tracked through enhanced reporting and first- and second-line governance forums to mitigate this risk. The Group Risk Assessment found no processes or countries to be operating at a high residual risk level; however, 14 countries were identified as having a high inherent risk.

No public legal cases involving allegations of corruption were brought against the Group or its employees during the year. Internally, our Shared Investigative Services (SIS) team conducted 62 investigations classified as having an ABC nexus, which resulted in 10 disciplinary cases.

A particular focus of our financial crime investigatory teams is the use of data analytics to identify those clients and cases which generate the greatest financial crime risk. In 2021, we increased coordinating and streamlining the work carried out by these individual teams. This has strengthened the second line of defence in support of colleagues in business lines and country teams across the Bank.

To mitigate the risk of financial crime, particularly laundering the proceeds of corruption, in the lead-up to, during and after major political elections in certain footprint markets, the Group conducts enhanced monitoring designed to identify and investigate transactions of potential concern. In 2021, enhanced monitoring was conducted during major elections held in Uganda, Zambia and The Gambia. CFCC also investigated risks to the Group arising from a number of prominent financial crime stories in the press, conducting investigations prompted by events such as the FinCEN Files and Pandora Papers leaks, among others.

Pillar 2: Operations continued

In 2021, CFCC addressed new and emerging sanctions related to developments in both Belarus and Afghanistan. CFCC also incorporated numerous additional sanctioned parties under existing sanctions programmes into our control processes. The Group continues to develop its Sanctions Compliance Programme with the aim of ensuring that the programme is sustainable and able to adapt to the evolving sanctions risks that the Group faces.

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

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

We have invested significantly to ensure our employees are properly equipped to combat financial crime. In 2021, 99.6 per cent of colleagues completed financial crime e-learnings which cover ABC, AML, sanctions and fraud topics and this was supported by a Group-wide communication campaign, 'The whole story', which extended our awareness raising activities.

ABC-related internal investigations

			Closed[3]	
Year	Total raised[1]	In scope[2]	Substantiated[4]	Unsubstantiated
2021	**62**	**60**	**28**	**34**
2020	42	41	10	20
2019	42	40	7	17

The data in these reporting periods has been updated as at 31 December 2021.

1 Total concerns raised within the reporting year classified as having an ABC nexus

2 Includes concerns raised within the reporting year and considered within the scope of Group Investigation Standards

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

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

For those in high-risk roles and functions, additional targeted ABC training, masterclasses and forums were held to deepen understanding. We also shared our Supplier Charter, which sets out our expectations and minimum standards related to ABC, with more than 12,100 suppliers and third parties across 55 markets.

In addition to internal training, we are taking our contribution beyond our business and partnering with governments, regulators and other global banks to build a framework to enable cooperation and two-way communication on financial crime. These 'public–private partnerships' include initiatives with the International Center for Missing & Exploited Children which focuses on the use of cryptoassets in the trade of child exploitation and abuse material; the National Cyber Forensics and Training Alliance which assists law enforcement in identifying significant organised groups engaged in business email compromise schemes; and US Customs and Border Protection which focuses on economic security, trade security, forced labour and other risk areas, such as Trade Based Money Laundering. These partnerships are producing material new insights about various criminal typologies and advances in how we collectively combat financial crime in an increasing number of jurisdictions, including Singapore, South Africa, the UK and the US.

Throughout 2021, we also engaged with peers in contributing to the ongoing dialogue to advance effectiveness in combating financial crime through our active participation in several of the leading industry groups, including Wolfsberg, Madison Group and UK Finance. We also participated in discussions and forums with many external thought leaders including the World Economic Forum's Partnering Against Corruption Initiative (PACI).

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

+ For more visit **sc.com/fightingfinancialcrime**

Respecting human rights

We are committed to respecting human rights and use process, governance and due diligence to avoid infringements and complicity in the infringements of others, whether in our role as an employer, as a procurer of goods and services, or as a provider of financial services.

We recognise that our footprint and supply chain give us the opportunity to raise awareness of human rights and modern slavery in a wide range of markets and industries.

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

Our Modern Slavery Statement, approved by the Board, details the actions we are taking to tackle modern slavery and human trafficking in our business and operations.

In 2021, we commissioned an external consultancy to review our human rights practices and, following their recommendation, we updated our E&S risk assessment

Sustainable and responsible business
continued

Pillar 2: Operations continued

process. We now require additional due diligence checks for those clients identified as having a heightened modern slavery risk. A human rights specialist consultancy database was established to assist in conducting this due diligence and to support clients to implement corrective action plans when human rights allegations are flagged. We also produced guidance for clients to support the development of their own human rights policies and procedures.

Within our supply chain, we provided training and internal communications to raise awareness of modern slavery across all supply chain category managers and contract owners. Modern slavery risk is now highlighted at the vendor onboarding stage for all high-risk categories, and Procurement Category Plans have been enhanced for all supplier categories found to have heightened risk, including office services and supplies, property, human resources, banking operations services, marketing and advertising services, technology hardware, and telecoms and networks in specific identified countries. For those suppliers determined by our internal modern slavery risk review to require additional due diligence as a condition to continue with the supplier engagement, on-site audits may also be conducted.

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

+ Read our Modern Slavery Statement at **sc.com/modernslavery**

+ Read our Human Rights Position Statement at **sc.com/positionstatements**

Annual energy use of our property (kWh/m²/year)

2021 Actual	**174**
2020 Target	185
2008	494

65%
↓ Since 2008

Managing our environmental footprint

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

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

Case study

WELL Health-Safety Rating

Our engagement with colleagues highlighted a level of uncertainty and apprehension regarding returning to the office due to the ongoing pandemic.

To reassure our colleagues, clients and the broader community that our offices and branches are healthy and safe, we have achieved WELL Health-Safety Rating certification for our top 45 buildings based on headcount, which house over 65,000 colleagues (70 per cent of our Group).

The WELL Health-Safety Rating is an evidence-based, externally verified certification which focuses on operational policies, maintenance protocols, stakeholder engagement and emergency plans to address a post-COVID-19 environment. WELL Health-Safety certification is issued by the International WELL Building Institute (IWBI).

Pillar 2: Operations continued

We have measured and reduced our GHG emissions since 2008. Our Scope 1 and 2 emission reduction target has been validated by the Science Based Targets initiative (SBTi) as being in line with a well-below two degrees Celsius scenario. Through our Sustainability Aspirations, we have set more ambitious targets to achieve net zero emissions and ensure we only consume renewable energy across our portfolio by 2025. In partnership with our long-term strategic real estate suppliers such as CBRE and JLL, we are continually reviewing our direct fuels, on-site renewable energy sources and constantly improving our facilities to deliver the efficiency improvements needed across our properties to meet these challenging targets.

In 2021, energy and emissions reductions initiatives included clean power purchase agreements, water recycling, solar rooftops and on-site waste composting. Together with a 5 per cent reduction in our real estate portfolio, these direct initiatives reduced our CO_2 emissions by 27 per cent, and our energy consumption by 15 per cent year-on-year to 183 GWh. Specifically, investment in energy-efficient products accounted for 11 GWh of this reduction, resulting in a lower-carbon and more efficient portfolio.

Water availability remains a growing challenge in many of our markets. Although we did not face any issues sourcing potable water in 2021, we continue to take a sustainable and responsible approach to managing water across the Group and have improved measurement of the portfolio by 10 per cent.

We are committed to reducing waste in all its forms and since 2019, have been committed to reducing waste to 40 kilograms per employee per year, and recycling 90 per cent of our waste by 2025. Each year, we prevent more than 1 million disposable cups going to landfill and are proud to have now certified 103 properties as 'single-use-plastic free'. Non-recyclable waste is sent for energy generation or compost to limit our impact on landfill where possible.

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

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

+ Read the principles and methodology for measuring our environment data at **sc.com/environmentcriteria**

+ Read the independent environment assurance at **sc.com/environmentalassurance**

Our Sustainability Network

To further embed our sustainability ambitions, in 2021 we created a colleague Global Sustainability Network to share insights and best practices about climate issues within our markets. Now with over 1,200 members globally, members are invited to regular virtual townhall events to learn about climate, sustainability and the wider ESG agenda.

Our 2021 Global Learning Week also championed sustainability. Through 12 live sustainability events across four days, we engaged more than 7,000 colleagues in sessions ranging from our sustainable finance propositions to our net zero approach, the science behind climate change to our approach to carbon offsetting. Colleagues who participated in over four hours of learning were given the opportunity to complete a short assessment to attain a certification linked directly to their individual performance review. More than 700 colleagues completed this course and certification.

In 2022, we intend to continue to grow our Sustainability Network and introduce a global sustainability learning programme on the Bank's diSCover platform. In addition, we will build on a pilot carried out during 2021, and roll out a global digital solution to enable colleagues to analyse and reduce their carbon footprint both at home and at work.

Case study

Sierra Leone solar PV array

During 2021, our Sierra Leone Property team installed more than 300 solar photovoltaic (PV) panels on the roof of our headquarters building in Freetown. The installation is the largest of its kind in the country, and currently produces more direct power than the building consumes. Excess power is exported to the local grid, contributing to decarbonisation of the city's power supply.

Sustainable and responsible business
continued

Pillar 3: Communities

Regulators and governments   Society

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

2021 Sustainability Aspirations: Communities

Community engagement	Timeline	Status	Progress
Invest 0.75% of prior year operating profit (PYOP) in our communities	Ongoing	On track	In 2021, $48.9 million community expenditure, which represents 3% of PYOP.
Raise $75 million for Futuremakers by Standard Chartered	Jan 2019–Dec 2023	On track	In 2021, $14 million was contributed through fundraising and donations by the Group, taking the total from 2019 to 2021 to $64 million.
Education: Reach 1 million girls and young women through Goal	Jan 2006–Dec 2023	On track	In 2021, 89,014 girls participated in Goal. This brings the total reach from 2006 to 2021 to 735,452 girls and young women.
Employability: Reach 100,000 young people	Jan 2019–Dec 2023	On track	In 2021, 66,534 young people participated in employability programmes. This brings the total to 87,703 young people reached from 2019 to 2021.
Entrepreneurship: Reach 50,000 young people	Jan 2019–Dec 2023	Achieved	In 2021, 46,808 young people participated in entrepreneurship programmes. This brings the total to 62,496 young people reached from 2019 to 2021. *In 2021, this Aspiration has been amended to reflect number of young people reached instead of young people, micro and small businesses. This is consistent with the methodology used in 2019 and 2020.
Increase participation for employee volunteering to 55%	Jan 2020–Dec 2023	Not on track	In 2021, 25% of employees volunteered. The pace of delivering employee volunteering continues to be impacted by COVID-19 restrictions.

Concluded in the year
Achieved Not achieved

Ongoing aspirations
On track Not on track

We continue to support our communities through Futuremakers by Standard Chartered, our global initiative to tackle youth economic inclusion and enable the next generation to learn, earn and grow. In 2021, we contributed $14 million to Futuremakers, including donations from the Group and fundraising of $1.4 million from our employees and partners.

Despite the challenging global environment, blending face-to-face interaction with digital delivery methods enabled Futuremakers programmes to reach more than 304,369 young people in 2021. From 2019–2021, Futuremakers has reached a total of 671,070 young people across 41 markets and raised $64 million.

Goal, our Futuremakers girls' empowerment programme to tackle negative gender and social norms, implemented face-to-face sessions where possible and combined these with a digital curriculum delivered through phone messaging, radio or online. In 2021, Goal reached 89,014 girls and young women. We also supported the FREE (Financial Resilience and Economic Empowerment) Fund, led by our Goal partner Women Win, to further long-term investment in the economic empowerment of adolescent girls and young women who have been heavily impacted by COVID-19.

Through additional funding allocated in 2020 to support COVID-19 economic recovery, this year we significantly scaled-up our livelihood programmes. Our Futuremakers employability skills programme, reached more than 66,500 young people and entrepreneurship activities reached more than 46,800 young people in 2021.

Pillar 3: Communities continued

In nine markets, the Standard Chartered Women in Tech incubators supported female-led entrepreneurial teams with business management training, mentoring and seed funding.

In 2021, we delivered the second edition of our virtual Futuremakers Forum to create partnerships and opportunities for young people. The Forum engaged more than 1,000 participants from 63 markets including business leaders and policy experts. It resulted in a collective 1,800 hours of skills and knowledge-sharing on the future of work. The event was an opportunity for us to seek out best practice to support the livelihoods of young people and identify business leaders who are committed to ensuring that the next generation is prepared for success. A summary of learning from the Forum is available at **sc.com/FuturemakersForum2021**.

Despite COVID-19 restrictions limiting face-to-face volunteering, 25 per cent of employees volunteered, contributing more than 31,600 volunteering days with many contributing through new opportunities for virtual volunteering.

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

Read more about Futuremakers by Standard Chartered at **sc.com/Futuremakers**

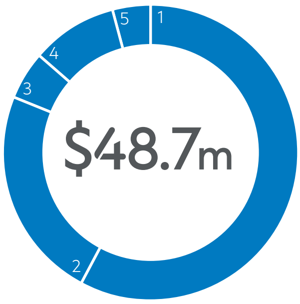
A full breakdown of our 2021 fundraising and donations will be published in our ESG report, in Q1 2022. See **sc.com/ESGreport**

Our community expenditure 2021

1.	Cash contributions	57.70%
2.	Employee time (non-cash item)	23.41%
3.	Gifts in kind (non-cash item)[1]	5.34%
4.	Management costs	9.65%
5.	Leverage[2]	3.90%

1 Gifts in kind comprises all non-monetary donations

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



Case study: Futuremakers

Aisha's story

Twenty-year-old Aisha lives in Bangladesh. Her family struggled to make ends meet, and her father's sole income was not enough to pay for her education beyond secondary school.

Thanks to Futuremakers by Standard Chartered, Aisha was able to attend a fully funded technical and vocational skills training programme with a local school. After completing a six-month technical course, and with the support of the school's Decent Employment and Entrepreneurship Development team, Aisha secured a job as an assistant technician at an engineering firm.

This training enabled Aisha to support her family after her father's job loss due to COVID-19. Today, Aisha dreams of becoming an entrepreneur and running her own electronics shop, which will in turn support more girls like her.

Non-financial information statement

This table sets out where shareholders and stakeholders can find information about key non-financial matters in this report, in compliance with the non-financial reporting requirements contained in sections 414CA and 414 CB of the Companies Act 2006. Further disclosures are available on **sc.com** and in our 2021 ESG Report which will be published at **sc.com/esgreport** in Q1 2022.

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* Visit **sc.com/environmentcriteria** for our carbon emissions criteria and **sc.com/environmentalassurance** for Global Documentation's Assurance Statement of our Scope 1 and 2 emissions, and waste and water data.

Health, wealth and lifestyle with Franklin Templeton and SC Ventures

We are working with Franklin Templeton, one of the world's largest independent asset managers, to create Autumn – a digital app to help users achieve their financial and personal goals. Autumn, which is incubated and backed by SC Ventures, helps customers plan and manage their financial and physical wellbeing with tools, products, and services across all aspects of their wealth, health and lifestyle.

Read more online at **www.sc.com/autumn**

Underlying versus statutory results reconciliations

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

Operating income by client segment

	2021			
	Corporate, Commercial & Institutional Banking $million	Consumer Private & Business Banking $million	Central & other items (segment) $million	Total $million
Underlying operating income	**8,407**	**5,733**	**573**	**14,713**
Restructuring	**9**	**–**	**(41)**	**(32)**
Other items	**–**	**–**	**20**	**20**
Statutory operating income	**8,416**	**5,733**	**552**	**14,701**

	2020 (Restated)[1]			
	Corporate, Commercial & Institutional Banking[1] $million	Consumer Private & Business Banking[1] $million	Central & other items (segment) $million	Total $million
Underlying operating income	8,485	5,691	589	14,765
Restructuring	40	–	(13)	27
Other items	–	–	(38)	(38)
Statutory operating income	8,525	5,691	538	14,754

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

	2021				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Underlying operating income	**10,448**	**2,446**	**2,003**	**(184)**	**14,713**
Restructuring	**30**	**3**	**(30)**	**(35)**	**(32)**
Other items	**–**	**–**	**–**	**20**	**20**
Statutory operating income	**10,478**	**2,449**	**1,973**	**(199)**	**14,701**

	2020 (Restated)[1]				
	Asia[1] $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Underlying operating income	10,382	2,364	1,922	97	14,765
Restructuring	78	(2)	–	(49)	27
Other items	(43)	–	–	5	(38)
Statutory operating income	10,417	2,362	1,922	53	14,754

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)

	2021					
	Underlying $million	Regulatory Fine $million	Restructuring $million	Net gain on businesses disposed/ held for sale $million	Goodwill impairment $million	Statutory $million
Operating income	14,713	–	(32)	20	–	14,701
Operating expenses	(10,375)	(62)	(487)	–	–	(10,924)
Operating profit/(loss) before impairment losses and taxation	4,338	(62)	(519)	20	–	3,777
Credit impairment	(263)	–	9	–	–	(254)
Other impairment	(355)	–	(17)	–	–	(372)
Profit from associates and joint ventures	176	–	20	–	–	196
Profit/(loss) before taxation	3,896	(62)	(507)	20	–	3,347

	2020					
	Underlying $million	Regulatory Fine $million	Restructuring $million	Net loss on businesses disposed/ held for sale $million	Goodwill impairment $million	Statutory $million
Operating income	14,765	–	27	(38)	–	14,754
Operating expenses	(10,142)	14	(252)	–	–	(10,380)
Operating profit/(loss) before impairment losses and taxation	4,623	14	(225)	(38)	–	4,374
Credit impairment	(2,294)	–	(31)	–	–	(2,325)
Other impairment	15	–	(113)	–	(489)	(587)
Profit from associates and joint ventures	164	–	(13)	–	–	151
Profit/(loss) before taxation	2,508	14	(382)	(38)	(489)	1,613

Profit before taxation (PBT) by client segment

	2021			
	Corporate, Commercial & Institutional Banking $million	Consumer Private & Business Banking $million	Central & other items (segment) $million	Total $million
Operating income	8,407	5,733	573	14,713
External	7,952	5,373	1,388	14,713
Inter-segment	455	360	(815)	–
Operating expenses	(5,278)	(4,377)	(720)	(10,375)
Operating profit/(loss) before impairment losses and taxation	3,129	1,356	(147)	4,338
Credit impairment	44	(285)	(22)	(263)
Other impairment	(49)	–	(306)	(355)
Profit from associates and joint ventures	–	–	176	176
Underlying profit/(loss) before taxation	3,124	1,071	(299)	3,896
Restructuring	(114)	(235)	(158)	(507)
Goodwill impairment	–	–	–	–
Other items	–	–	(42)	(42)
Statutory profit/(loss) before taxation	3,010	836	(499)	3,347

Profit before taxation (PBT) by client segment continued

	2020 (Restated)[1]			
	Corporate, Commercial & Institutional Banking[1] $million	Consumer Private & Business Banking[1] $million	Central & other items (segment) $million	Total $million
Operating income	8,485	5,691	589	14,765
External	8,304	4,795	1,666	14,765
Inter-segment	181	896	(1,077)	–
Operating expenses	(5,003)	(4,230)	(909)	(10,142)
Operating profit/(loss) before impairment losses and taxation	3,482	1,461	(320)	4,623
Credit impairment	(1,529)	(741)	(24)	(2,294)
Other impairment	41	(10)	(16)	15
Profit from associates and joint ventures	–	–	164	164
Underlying profit/(loss) before taxation	1,994	710	(196)	2,508
Restructuring	(221)	(61)	(100)	(382)
Goodwill impairment	–	–	(489)	(489)
Other items	–	–	(24)	(24)
Statutory profit/(loss) before taxation	1,773	649	(809)	1,613

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

	2021				
	Asia $million	**Africa & Middle East $million**	**Europe & Americas $million**	**Central & other items $million**	**Total $million**
Operating income	**10,448**	**2,446**	**2,003**	**(184)**	**14,713**
Operating expenses	**(6,773)**	**(1,623)**	**(1,485)**	**(494)**	**(10,375)**
Operating profit/(loss) before impairment losses and taxation	**3,675**	**823**	**518**	**(678)**	**4,338**
Credit impairment	**(434)**	**34**	**144**	**(7)**	**(263)**
Other impairment	**(300)**	**(1)**	**(18)**	**(36)**	**(355)**
Profit from associates and joint ventures	**175**	**–**	**–**	**1**	**176**
Underlying profit/(loss) before taxation	**3,116**	**856**	**644**	**(720)**	**3,896**
Restructuring	**(286)**	**(25)**	**(69)**	**(127)**	**(507)**
Goodwill impairment	**–**	**–**	**–**	**–**	**–**
Other items	**–**	**–**	**–**	**(42)**	**(42)**
Statutory profit/(loss) before taxation	**2,830**	**831**	**575**	**(889)**	**3,347**

	2020 (Restated)[1]				
	Asia[1] $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	10,382	2,364	1,922	97	14,765
Operating expenses	(6,357)	(1,683)	(1,383)	(719)	(10,142)
Operating profit/(loss) before impairment losses and taxation	4,025	681	539	(622)	4,623
Credit impairment	(1,484)	(654)	(161)	5	(2,294)
Other impairment	110	(14)	8	(89)	15
Profit from associates and joint ventures	163	–	–	1	164
Underlying profit/(loss) before taxation	2,814	13	386	(705)	2,508
Restructuring	(134)	(88)	(45)	(115)	(382)
Goodwill impairment	–	–	–	(489)	(489)
Other items	(43)	–	–	19	(24)
Statutory profit/(loss) before taxation	2,637	(75)	341	(1,290)	1,613

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

Return on tangible equity (RoTE)

	2021 $million	2020 $million
Average parent company Shareholders' Equity[1]	46,383	45,087
Less Preference share premium[1]	(1,494)	(1,494)
Less Average intangible assets[1]	(5,218)	(5,003)
Average Ordinary Shareholders' Tangible Equity[1]	39,671	38,590
Profit/(loss) for the period attributable to equity holders	2,313	751
Non-controlling interests	2	(27)
Dividend payable on preference shares and AT1 classified as equity	(410)	(395)
Profit/(loss) for the period attributable to ordinary shareholders	1,905	329
Items normalised:		
Regulatory Fine	62	(14)
Restructuring	507	382
Goodwill Impairment	–	489
Net (gains)/losses on sale of Businesses	(20)	38
Tax on normalised items	(87)	(83)
Underlying profit for the period attributable to ordinary shareholders	2,367	1,141
Underlying Return on Tangible Equity	6.0%	3.0%
Statutory Return on Tangible Equity	4.8%	0.9%

1 Yearly average is computed as an average of the four preceding quarterly averages

	2021			
	Corporate, Commercial& Institutional Banking %	Consumer Private & Business Banking %	Central & other Items (Segment) %	Total %
Underlying RoTE	9.6	10.2	(10.5)	6.0
Regulatory Fine	–	–	(0.8)	(0.2)
Restructuring				
Of which: Income	–	–	(0.6)	(0.1)
Of which: Expenses	(0.6)	(3.0)	(1.3)	(1.2)
Of which: Credit impairment	–	–	–	–
Of which: Other impairment	0.1	–	(0.6)	–
Of which: Profit from associates and joint ventures	–	–	0.3	0.1
Net gains on sale of Businesses	–	–	0.3	0.1
Goodwill impairment	–	–	–	–
Tax on normalised items	0.2	0.7	–	0.1
Statutory RoTE	9.3	7.9	(13.2)	4.8

	2020 (Restated)[1]			
	Corporate, Commercial & Institutional Banking[1] %	Consumer Private & Business Banking[1] %	Central & other Items (Segment) %	Total %
Underlying RoTE	5.9	6.9	(12.0)	3.0
Regulatory Fine	–	–	0.2	–
Restructuring				
Of which: Income	0.2	–	(0.2)	0.1
Of which: Expenses	(0.5)	(0.8)	(1.0)	(0.7)
Of which: Credit impairment	(0.2)	–	–	(0.1)
Of which: Other impairment	(0.4)	–	(0.1)	(0.3)
Of which: Profit from associates and joint ventures	–	–	(0.2)	–
Net losses on sale of Businesses	–	–	(0.6)	(0.1)
Goodwill impairment	–	–	(7.3)	(1.3)
Tax on normalised items	0.2	0.2	0.1	0.3
Statutory RoTE	5.2	6.3	(21.1)	0.9

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)

	2021								
	Underlying $ million	**Regulatory Fine $ million**	**Restructuring $ million**	**Profit from joint venture $ million**	**Gains arising on repurchase of senior and subordinated liabilities $ million**	**Net gain on sale of businesses $ million**	**Goodwill impairment $ million**	**Tax on normalised items $ million**	**Statutory $ million**
Profit for the year attributable to ordinary shareholders	**2,367**	**(62)**	**(507)**	**–**	**–**	**20**	**–**	**87**	**1,905**
Basic – Weighted average number of shares (millions)	**3,108**								**3,108**
Basic earnings per ordinary share (cents)	**76.2**								**61.3**

	2020								
	Underlying $ million	Regulatory Fine $ million	Restructuring $ million	Profit from joint venture $ million	Gains arising on repurchase of senior and subordinated liabilities $ million	Net loss on sale of businesses $ million	Goodwill impairment $ million	Tax on normalised items $ million	Statutory $ million
Profit for the year attributable to ordinary shareholders	1,141	14	(382)	–	–	(38)	(489)	83	329
Basic – Weighted average number of shares (millions)	3,160								3,160
Basic earnings per ordinary share (cents)	36.1								10.4

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 (CCY)	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 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 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.

Viability statement

The directors are required to issue a viability statement regarding the Group, explaining their assessment of the prospects of the Group over an appropriate period of time and state whether they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due.

The directors are to also disclose the period of time for which they have made the assessment and the reason they consider that period to be appropriate.

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

The viability assessment has been made over a period of three years, which the directors consider appropriate as it is within both the Group's strategic planning horizon and, the basis upon which its regulatory capital stress tests are undertaken and is representative of the continuous level of regulatory change affecting the financial services industry. The directors will continue to monitor and consider the appropriateness of this period.

The directors have reviewed the corporate plan, the output of the Group's formalised process of budgeting and strategic planning. For the 2022 Corporate Plan, the forward-looking cash flows and balances continue to include the longer-term impact of COVID-19, specifically with regards to expected credit loss. The Corporate Plan further includes the anticipated impact of global interest rates on revenues. The corporate plan is evaluated and approved each year by the Board with confirmation from the Group Chief Risk Officer that the Plan is aligned with the Enterprise Risk Management Framework and Group Risk Appetite Statement and considers the Group's future projections of profitability, cash flows, capital requirements and resources, liquidity ratios and other key financial and regulatory ratios over the period. The corporate plan details the Group's key performance measures, of forecast profit, CET 1 capital ratio forecast, return on tangible equity forecasts, cost to income ratio forecasts and cash investment projections. The Board has reviewed the ongoing performance management process of the Group by comparing the statutory results to the budgets and corporate plan.

The Group performs enterprise-wide stress tests using a range of bespoke hypothetical scenarios that explore the resilience of the Group to shocks to its balance sheet and business model.

To assess the Group's balance sheet vulnerabilities and capital and liquidity adequacy, severe but plausible macro-financial scenarios explore shocks that trigger one or more of:

- Global slowdowns including recessions in China, Asian and Western economies that can be acute or more protracted
- Sharp falls in world trade volumes and disruption to global supply chains, including the severe worsening of trade tensions and rise of protectionism.
- Material and persistent declines in commodity prices
- Financial market volatility, including a sharp fall in asset prices driven by a drop in risk appetite amongst financial market participants

This year, the primary focus has continued to be on macro-financial stress related to the COVID-19 pandemic. Scenario analysis has explored the impact of new virus variants that lead to further restrictions and tighter financing conditions across the Group's footprint markets, particularly countries with lower rates of vaccination.

The Group further performed the 2021 Climate Biennial Exploratory Scenario to explore key risks from climate change, being transition risk of the economy moving away from carbon and the physical risks of higher global temperatures. For the Group this Focussed on credit risk in the loans and advances portfolio to corporate and institutional clients as well as personal customers over a thirty year time horizon.

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

To assess the Group's business model vulnerabilities, extreme and unlikely scenarios are explored that, by design, result in the Group's business model no longer being viable these scenarios have included for the Group extreme geopolitical tensions disrupting capital flows within the Group's footprint and cyber security attacks. Insights from these reverse stress tests can inform strategy, risk management and capital and liquidity planning.

The directors further considered 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. Funding and liquidity was considered in the context of the risk appetite metrics, including the ADR and LCR ratios.

Further information on stress testing is provided in the **Risk management approach** section (pages 260 and 261).

The Board Risk Committee ("BRC") exercises oversight on behalf of the Board of the key risks of the Group and makes recommendations to the Board on the Group's Risk Appetite Statement. These risks include, amongst others; credit, traded, treasury, operational and technology, reputational and sustainability, compliance, information and cyber security financial crime and model risks. The BRC further exercises oversight over the integrated risks of climate, digital asset and third party which cut across all principal risks.

The BRC receives regular reports that inform it of the Group's key risks, as well as updates on the macroeconomic environment, geo-political outlook, market developments, and regulatory updates on relevant matters. In 2021, the BRC had deeper discussion on: Blue Sky Thinking/ Horizon Scanning, the Chinese banking sector and the Group's risk management approach, Hong Kong Operational Stability Issues, Korea Deep Dive including the Mortgage Portfolio, CCIB Risk Deep Dive, CPBB Risk Review, CPBB Fraud Risk Deep Dive, Interest Rate Risk Deep Dive, Operational Resilience, Approach to Crypto Assets Management, Third Party Risk Management with a focus on ICS Risks, Management, Control and Governance of SC PLC, Resolvability, CBES Stress Test, IBOR Transition, Safety and Security Risk, UAE Risk Review and a Structural Foreign Exchange Risk Deep Dive.

Based on the information received, the directors' considered the principal uncertainties as well as the principal risks in their assessment of the Group' viability, how these impact the risk profile, performance and viability of the Group and any specific mitigating or remedial actions necessary.

For further details of information relevant to the directors, assessment can be found in the following sections of the annual report and accounts:

- The Group's Business model (pages 18 to 21) and Strategy (pages 22 and 23)
- The Group's current position and prospects including factors likely to affect future results and development, together with a description of financial and funding positions are described in the client segment reviews and regional reviews (pages 26 to 30)
- An update on the key risk themes of the Group is discussed in the Group Chief Risk Officer's review, found in the Strategic Report (pages 32 to 40)
- The BRC section of the Director's report (pages 123 to 129)
- The Group's Emerging Risks, sets out the key external factors that could impact the Group in the coming year (pages 280 to 287)
- The Group's Enterprise Risk Management Framework details how the Group identifies, manages and governs risk (pages 259 to 263)
- The Group's Risk profile provides an analysis of our risk exposures across all major risk types (page 264 to 287)
- The capital position of the Group, regulatory development and the approach to management and allocation of capital are set out in the Capital review (pages 288 to 293)

Having considered all the factors outlined above, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment up to 31 December 2024.

Our Strategic report from pages 1 to 87 has been reviewed and approved by the Board.

Bill Winters
Group Chief Executive

17 February 2022

Supporting our colleagues through the menopause

We partnered with the Financial Services Skills Commission in the UK to understand how the menopause impacts women in the financial services industry and how employers can provide better support. More than 100 organisations participated in the UK research project which revealed that a lack of dialogue and support for menopausal employees negatively impacts the female leadership pipeline. In response, we launched a menopause guide for our employees as well as dedicated resources through our mental health app, online learning platform and employee assistance provider.

+ Read more online at **www.sc.com/menopause**

Directors' report

Group Chairman's governance overview

Dr José Viñals
Group Chairman

> "The Board remained resolute on delivering our strategic objectives through a culture that promotes transparency, good conduct and trust"

2021 has seen a mixed picture in terms of recovery from the pandemic across our markets. The Board continued to monitor the impact of COVID-19, alongside geopolitical and international developments, and sustained the 2020 approach to meeting more often, given restrictions on travel and usual meeting patterns. This ensured that effective Board oversight and strong corporate governance were maintained.

It was clear to the Board how important continued discussion, review and approval of our Corporate Plan and strategic priorities were, especially in light of an ever-evolving landscape. Our oversight focused on driving profitability while continuing to strengthen resilience, setting targets that balanced business opportunities against risks and controls. The Board remained resolute on delivering our strategic objectives through a culture that promotes transparency, good conduct and trust. The importance of resilience in delivering these objectives cannot be underestimated, with the Board focused on further strengthening our risk and control culture with the help of the Board Risk, Board Financial Crime Risk and Audit committees.

The Board also spent significant time during the year discussing the Group's sustainability approach. We recognise that climate change is one of the greatest challenges facing the world today and appreciate the complex trade-offs which come with climate action, meaning there are no simple answers. The Group's net zero pathway announced in the year was reviewed and approved at Board level, and consequently the Group has mobilised resources diligently to support these commitments. We plan to put the pathway to an advisory vote at Standard Chartered PLC's 2022 Annual General Meeting (AGM) in recognition of how important this is to our shareholders and other stakeholders. In addition, the Brand, Values and Conduct Committee (BVCC) was renamed the Culture and Sustainability Committee (CSC) following a refocus of its remit. Greater weight has been given to environmental, social and governance matters, and areas of duplication have been addressed. The CSC has been actively involved in supporting the Board and the business in relation to our net zero proposals. Further detail can be found in the Strategic report on pages 61 to 77 and the CSC report on pages 130 to 132 respectively.

The Board has continued to drive the transformational agenda. As the Group's Innovation and Digitisation event made clear, digital transformation is fundamental to establishing a solid foundation for exponential growth and to driving positive change in some of the world's fastest-growing economies. New business models create shareholder value and provide a best-in-class experience for our clients. Alongside this, the Board continued to review, challenge and advise management on the Group's technology and innovation strategy more broadly.

The 2021 Board and committees' effectiveness review was conducted internally, facilitated by the Group Company Secretary, and in accordance with the UK Corporate Governance Code. The results were insightful and were reviewed with the Governance and Nomination Committee ahead of Board discussion. Key findings, recommendations and an Action Plan for 2022 were then presented and approved. Further detail is given on page 108.

The Board and its committees invested time in reviewing and approving the Group's Resolvability Assessment Report ahead of submission to the Bank of England in October 2021, with Resolvability remaining a focus area throughout 2022. Further detail can be found in the key areas of Board discussion section of this report on page 99 and in the Board Risk Committee report starting on page 123.

Stakeholder engagement is vital to Board discussion and decision-making. In addition to our net zero pathway being proposed to shareholders at the 2022 AGM, we are also requesting approval of our new directors' remuneration policy. Following consultation with major shareholders, the Remuneration Committee reviewed the existing policy, concluding it remains appropriate to support the delivery of our strategy, with no significant change proposed to the overall structure or quantum of the current executive directors' remuneration. Further detail can be found in the Remuneration Committee report on pages 160 to 166. During the year, we held our first ever AGM offering virtual participation, where our shareholders were able to vote on resolutions and engage with the Board. I also hosted a virtual stewardship event in November 2021 alongside several Board colleagues, allowing us to update institutional investors and shareholder representative bodies on key areas of focus for the Board as well as respond to their questions.

Overall, despite being unable to meet in our key markets this year, the Board has remained actively involved by virtually attending subsidiary board, committee and management meetings, and through employee and other stakeholder engagement sessions. Good progress was made to enhance and maintain effective subsidiary linkages through events such as our subsidiary chair meetings, as well as via formal reporting mechanisms. In addition to this, we continued to strengthen the Group's corporate structure through the creation of our consolidated ASEAN hub under Standard Chartered Bank (Singapore) Limited. Further detail on the Board's engagement with stakeholders can be found on pages 110 to 115.

We continued to make good progress with succession planning and evolution of the Board and its committees. Maria Ramos joined the Board, Audit Committee and Board Risk Committee in January 2021, and was appointed as a member of the Remuneration Committee in July 2021. Diversity remains key in succession planning, especially considering our business, network and footprint. While our female and ethnically diverse representation on the Board dropped following Dr Ngozi Okonjo-Iweala's departure last year, we remain committed to achieving our target of at least 33 per cent female and our ambition of 30 per cent from an ethnic minority background. Further detail on both Board changes and diversity can be found in the Governance and Nomination Committee report starting on page 133. Amanda Mellor left the Group on 23 December 2021 after nearly three years as our Group Company Secretary, and her contributions have been greatly appreciated, particularly in navigating complex governance arrangements throughout the pandemic's evolution. Scott Corrigan, Global Head of Disputes and Government Investigations, has been appointed as Interim Group Company Secretary until a permanent successor is confirmed.

2021, as with 2020, has been an exceptional year. The Board remains cautiously optimistic for the future and is committed to our strategy, our purpose, and is laser focused on improving returns.

Dr José Viñals
Group Chairman

Board of Directors

Committee key

- Committee Chair shown in green
- (A) Audit Committee
- (Ri) Board Risk Committee
- (S) Culture and Sustainability Committee
- (N) Governance and Nomination Committee
- (C) Board Financial Crime Risk Committee
- (R) Remuneration Committee

Dr José Viñals (67)
Group Chairman

Appointed October 2016 and Group Chairman in December 2016. José was appointed to the Court of Standard Chartered Bank in April 2019.

Experience José has substantive experience in the international regulatory arena and has exceptional understanding of the economic, financial and political dynamics of our markets and of global trade, and a deep and broad network of decision-makers in the jurisdictions in our footprint.

Career José began his career as an economist and as a member of the faculty at Stanford University, before spending 25 years at the Central Bank of Spain, where he rose to be the Deputy Governor. José has held many other board and advisory positions, including Chair of Spain's Deposit Guarantee Fund, Chair of the International Relations Committee at the European Central Bank, member of the Economic and Financial Committee of the European Union, and Chair of the Working Group on Institutional Investors at the Bank for International Settlements. José joined the International Monetary Fund (IMF) in 2009 and stepped down in September 2016 to join Standard Chartered PLC. While at the IMF, he was the Financial Counsellor and the Director of the Monetary and Capital Markets Department, and was responsible for the oversight and direction of the IMF's monetary and financial sector work. He was the IMF's chief spokesman on financial matters, including global financial stability. During his tenure at the IMF, José was a member of the Plenary and Steering Committee of the Financial Stability Board, playing a key role in the reform of international financial regulation.

External appointments José is Co-Chair of the United Nation's Alliance of Global Investors for Sustainable Development (GISD) and a board member of the Institute of International Finance (IIF). He is also a member of the board of directors of the Bretton Woods Committee, a member of the Advisory Council of CityUK and a board member of the Social Progress Initiative.

Committees (N)

Bill Winters (60)
Group Chief Executive

Appointed June 2015. Bill was also appointed to the Court of Standard Chartered Bank in June 2015.

Experience Bill is a career banker with significant frontline global banking experience and a proven track record of leadership and financial success. He has extensive experience of working in emerging markets and a proven record in spotting and nurturing talent.

Career Bill began his career with JP Morgan, where he went on to become one of its top five most senior executives and later co-chief executive officer at the investment bank from 2004 until he stepped down in 2009. Bill was invited to be a committee member of the Independent Commission on Banking, established in 2010, to recommend ways to improve competition and financial stability in banking. Subsequently, he served as an adviser to the Parliamentary Commission on Banking Standards and was asked by the Court of the Bank of England to complete an independent review of the bank's liquidity operations. In 2011, Bill founded Renshaw Bay, an alternative asset management firm, where he was chairman and CEO. He stepped down on appointment to the Standard Chartered PLC Board.

Bill was previously a non-executive director of Pension Insurance Corporation plc and RIT Capital Partners plc. He received a CBE in 2013.

External appointments Bill is an independent non-executive director of Novartis International AG. Bill recently chaired the Taskforce on Scaling Voluntary Carbon Markets.

+ Bill Winters leads the Management Team

Andy Halford (62)
Group Chief Financial Officer

Appointed July 2014. Andy was also appointed to the Court of Standard Chartered Bank in July 2014.

Experience Andy has a strong finance background and deep experience of managing complex international businesses across dynamic and changing markets.

Career Andy was finance director at East Midlands Electricity plc prior to joining Vodafone in 1999 as financial director for Vodafone Limited, the UK operating company. Andy was later appointed financial director for Vodafone's Northern Europe, Middle East and Africa region, and later the chief financial officer of Verizon Wireless in the US. He was a member of the board of representatives of the Verizon Wireless Partnership. Andy was appointed chief financial officer of Vodafone Group plc in 2005, a position he held for nine years.

As Group Chief Financial Officer at Standard Chartered, Andy is responsible for Finance, Corporate Treasury, Strategy, Group Corporate Development, Group Investor Relations, Property and Supply Chain Management functions.

External appointments Andy is Senior Independent Director and Chair of the Audit Committee at Marks and Spencer Group plc. He is also a trustee of the Standard Chartered Foundation.

+ Andy Halford also sits on the Management Team

Naguib Kheraj (57)
Deputy Chairman

Appointed January 2014 and Deputy Chairman in December 2016. Naguib was appointed to the Court of Standard Chartered Bank in April 2019.

Experience Naguib has significant banking and finance experience.

Career Naguib began his career at Salomon Brothers in 1986 and went on to hold senior positions at Robert Fleming, Barclays, JP Morgan Cazenove and Lazard. Over the course of 12 years at Barclays, Naguib served as group finance director and vice-chairman and in various business leadership positions in wealth management, institutional asset management and investment banking. Naguib was also a Barclays' nominated non-executive director of ABSA Group in South Africa and of First Caribbean International Bank. He also served as chief executive officer of JP Morgan Cazenove. Naguib is a former non-executive director of NHS England and served as a senior adviser to Her Majesty's Revenue and Customs and to the Financial Services Authority in the UK. He also served as a member of the investment committee of the Wellcome Trust and the Finance Committee of the Oxford University Press.

External appointments Naguib is Chairman of Rothesay Life, a specialist pensions insurer and a member of the Finance Committee of the University of Cambridge. He is also Chairman of Petershill Partners plc and an independent board member of Gavi, The Vaccine Alliance. Naguib spends a substantial amount of his time as a senior adviser to the Aga Khan Development Network and serves on the boards of various entities within its network.

Committees Ri C N

Christine Hodgson, CBE (57)
Senior Independent Director

Appointed September 2013 and Senior Independent Director in February 2018.

Experience Christine has strong business leadership, finance, accounting and technology experience.

Career Christine held a number of senior positions at Coopers & Lybrand and was corporate development director of Ronson plc before joining Capgemini in 1997, where she held a variety of roles including chief financial officer for Capgemini UK plc and chief executive officer of technology services for North West Europe. Christine stepped down as chair for Capgemini UK plc in March 2020. Christine was previously a trustee of MacIntyre Care, a non-executive director of Ladbrokes Coral Group plc, and stepped down from the board of The Prince of Wales' Business in the Community on 9 February 2021.

External appointments Christine is chair of Severn Trent Plc and The Careers & Enterprise Company Ltd, a government-backed company established to help inspire and prepare young people for the world of work. She is also Senior Pro Chancellor and Chair of Council of Loughborough University and External Board Advisor to Spencer Stuart Management Consultants NV. Christine received a CBE for services to education in the Queen's New Year Honours 2020.

Committees R A C S N

Gay Huey Evans, CBE (67)
Independent Non-Executive Director

Appointed April 2015. Gay was appointed to the Court of Standard Chartered Bank in April 2019.

Experience Gay has extensive banking and financial services experience with significant commercial and UK regulatory and governance experience.

Career Gay spent over 30 years working within the financial services industry, the international capital markets and with the financial regulator. Gay spent seven years with the Financial Services Authority from 1998 to 2005, where she was director of markets division, capital markets sector leader, with responsibility for establishing a market-facing division for the supervision of market infrastructure, oversight of market conduct and developing markets policy. From 2005 to 2008, Gay held a number of roles at Citibank, including head of governance, Citi Alternative Investments, EMEA, before joining Barclays Capital where she was vice chair of investment banking and investment management. She was previously a non-executive director at Aviva plc, the London Stock Exchange Group plc and Itau BBA International Plc. In 2016, she received an OBE for services to financial services and diversity and a CBE for services to the economy and philanthropy in the Queen's Birthday Honours list 2021.

External appointments Gay is Chair of the London Metal Exchange, a non-executive director of ConocoPhillips and IHS Markit, and a non-executive member of the HM Treasury board. Gay also sits on the panel of senior advisers at Chatham House and the board of the Benjamin Franklin House.

Committees C Ri

Phil Rivett (66)
Independent Non-Executive Director

Appointed May 2020. Phil was also appointed to the Court of Standard Chartered Bank in May 2020.

Experience Phil has significant professional accountancy and audit experience, specifically focused in the financial services sector. He has a strong technical understanding and broad financial and business experience.

Career Phil joined PricewaterhouseCoopers (PwC) as a graduate trainee accountant in 1976, becoming a Partner in 1986. He spent more than 30 years as a Partner at PwC and was lead relationship Partner for several large FTSE 100 companies including a number of international banks and financial services institutions. He also has substantial international experience, having worked with banks across the Middle East and Asia, in particular China. He became Leader of PwC's Financial Services Assurance practice in 2007 and was appointed Chairman of its Global Financial Services Group in 2011. Phil has sat on a number of global financial services industry groups, producing guidelines for best practice in governance, financial reporting and risk management.

External appointments Phil is an independent non-executive director and Chair of the Audit Committee at Nationwide Building Society, the world's largest building society.

Committees A Ri N

Jasmine Whitbread (58)
Independent Non-Executive Director

Appointed April 2015. Jasmine was appointed to the Court of Standard Chartered Bank in April 2019.

Experience Jasmine has significant business leadership experience as well as first-hand experience of operating across our markets.

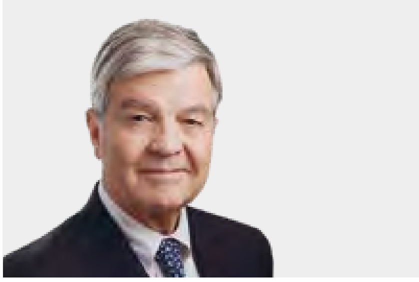
Career Jasmine began her career in international marketing in the technology sector and joined Thomson Financial in 1994, becoming managing director of the Electronic Settlements Group. After completing the Stanford Executive Program, Jasmine set up one of Oxfam's first regional offices, managing nine country operations in West Africa, later becoming international director responsible for Oxfam's programmes worldwide. Jasmine joined Save the Children in 2005, where she was responsible for revitalising one of the UK's most established charities. In 2010, she was appointed as Save the Children's first international chief executive officer, a position she held until she stepped down in 2015. Jasmine stepped down as a non-executive director from the Board of BT Group plc in December 2019 and as chief executive of London First in March 2021, a business campaigning group with a mission to make London the best city in the world to do business.

External appointments Jasmine became Chair of Travis Perkins plc in March 2021 and is a non-executive director of WPP plc and Compagnie Financière Richemont SA.

Committees S R N

David Conner (73)
Independent Non-Executive Director

Appointed January 2016. David was appointed to the Court of Standard Chartered Bank in April 2019.



Experience David has significant global and corporate, investment and retail banking experience, strong risk management credentials and an in-depth knowledge of Asian markets.

Career David spent his career in the financial services industry, living and working across Asia for 37 years, for both Citibank and OCBC Bank. He joined Citibank in 1976 as a management trainee and went on to hold a number of Asia-based senior management roles, including chief executive officer of Citibank India and managing director and marketing manager at Citibank Japan, before leaving Citibank in 2002. David joined OCBC Bank in Singapore as chief executive officer and director in 2002. He implemented a strategy of growth and led the bank through a period of significant turbulence. David stepped down as chief executive officer in 2012 but remained as a non-executive director on the board of OCBC Bank, before leaving the group in 2014. He was previously a non-executive director of GasLog Ltd.

External appointments David is a trustee of Washington University in St Louis where he also serves as chair of the Medical Affairs Committee.

Committees A Ri S C

David is also a member of the Combined US Operations Risk Committee of Standard Chartered Bank.

Dr Byron Grote (73)
Independent Non-Executive Director

Appointed July 2014.

Experience Byron has broad and deep commercial, financial and international experience.

Career From 1988 to 2000, Byron worked across BP in a variety of commercial, operational and executive roles. He was appointed as chief executive of BP Chemicals and a managing director of BP plc in 2000 and had regional group-level accountability for BP's activities in Asia from 2001 to 2006. Byron was chief financial officer of BP plc from 2002 until 2011, subsequently serving as BP's executive vice president, corporate business activities, from 2012 to 2013, with responsibility for the group's integrated supply and trading activities, alternative energy, shipping and technology. Byron was a non-executive director at Unilever plc and Unilever NV before stepping down in 2015.

External appointments Byron is Senior Independent Director at Anglo American plc and Tesco PLC and is Deputy Chairman of the supervisory board at Akzo Nobel NV. He is also a member of the European Audit Committee Leadership Network.

Committees A R

Maria Ramos (63)
Independent Non-Executive Director

Appointed January 2021. Maria was also appointed to the Court of Standard Chartered Bank in January 2021.

Experience Maria has extensive CEO, banking, commercial, financial, policy and international experience.

Career Based in South Africa, Maria served as chief executive officer of ABSA Group Limited (previously Barclays Africa Group), a diversified financial services group serving 12 African markets, from 2009 to 2019. Before joining ABSA, Maria was the group chief executive of Transnet Ltd, the state-owned freight transport and logistics service provider, for five years. Prior to her CEO career, Maria served for seven years as director-general of South Africa's National Treasury (formerly the Department of Finance) where she played a key role in transforming the National Treasury into one of the most effective and efficient state departments in the post-apartheid administration. Maria has served on a number of international boards, including Sanlam Ltd, Remgro Ltd, and SABMiller plc and more recently was a non-executive director of The Saudi British Bank and Public Investment Corporation Limited before stepping down in December 2020.

External appointments Maria is Chair of AngloGold Ashanti Limited and a non-executive director of Compagnie Financière Richemont SA. She is also a member of the Group of Thirty and sits on the International Advisory Board of the Blavatnik School of Government at Oxford University.

Committees A Ri R

David Tang (67)
Independent Non-Executive Director

Appointed June 2019. David was also appointed to the Court of Standard Chartered Bank in June 2019.

Experience David has deep understanding and experience of emerging technologies in the context of some of our key markets, most notably mainland China.

Career David has more than 30 years of international and Chinese operational experience in the technology and venture capital industries, covering venture investments, sales, marketing, business development, research and development, and manufacturing. From 1989 to 2004, David held a number of senior positions in Apple, Digital Equipment Corp and 3Com based in China and across the Asia Pacific region. From 2004 to 2010, David held various positions in Nokia, including corporate senior vice president, chairman of Nokia Telecommunications Ltd and vice chairman of Nokia (China) Investment Co. Ltd. He went on to become corporate senior vice president, regional president of Advanced Micro Devices (AMD), Greater China, before joining NGP Capital (Nokia Growth Partners) as Managing Director and Partner in 2013.

External appointments David joined Kaiyun Motors, an electric vehicle start-up based in China, in June 2021 as Chief Value Officer. David is also a non-executive director of JOYY Inc., the Chinese live streaming social media platform listed on the Nasdaq Stock Market, and Kingsoft Corporation, a leading Chinese software and internet services company listed on the Hong Kong Stock Exchange.

Committees Ri S

Carlson Tong (67)
Independent Non-Executive Director

Appointed February 2019. Carlson was appointed to the Court of Standard Chartered Bank in April 2019.

Experience Carlson has a deep understanding and knowledge of operating in mainland China and Hong Kong and has significant experience of the financial services sector in those markets.

Career Carlson joined KPMG UK in 1979, becoming an Audit Partner of the Hong Kong firm in 1989. He was elected Chairman of KPMG China and Hong Kong in 2007, before becoming Asia Pacific chairman and a member of the global board and global executive team in 2009. He spent over 30 years at KPMG and was actively involved in the work of the securities and futures markets, serving as a member of the Main Board and Growth Enterprise Market Listing Committee of the Stock Exchange of Hong Kong from 2002 to 2008 (Chair from 2006 to 2008). After retiring from KPMG in 2011, he was appointed a non-executive director of the Securities and Futures Commission, becoming its Chair in 2012 until he stepped down in October 2018. He oversaw a number of major policy initiatives during his term as the chair including the introduction of the Hong Kong and Shanghai/Shenzhen Stock connect schemes and the mutual recognition of funds between the mainland and Hong Kong. Carlson was appointed as a non-executive director of the Hong Kong International Airport Authority in 2017, a position he held until he stepped down in July 2020.

External appointments Carlson sits on various Hong Kong SAR government bodies, including as chair of the University Grants Committee and a member of the Hong Kong Human Resource Planning Commission. Carlson is also an observer on behalf of the Hong Kong Government for Cathay Pacific Airways Ltd.

Committees A Ri C

Scott Corrigan (55)
Interim Group Company Secretary

Appointed Scott was appointed Interim Group Company Secretary in December 2021.

Experience Scott joined Standard Chartered in 2014 and he is currently Global Head of Disputes & Government Investigations, Legal. He previously served as an Enforcement Counsel for the Federal Reserve Bank of New York and as an Assistant District Attorney at the New York Country District Attorney's Office. After leaving government service, Scott represented banks, other financial institutions and financial services executives in government investigations and civil litigation. He also served in a variety of managerial roles as a law firm partner.

Dr Ngozi Okonjo-Iweala was appointed as Director-General of the World Trade Organization on 1 March 2021 and stepped down from the Board on 28 February 2021.

Amanda Mellor stepped down as Group Company Secretary on 23 December 2021.

Contributions of how each director standing for re-election is, and continues to be, important to Standard Chartered PLC's long-term sustainable success will be included in the Notice of Annual General Meeting 2022.

Management Team

Bill Winters (60)
Group Chief Executive

Andy Halford (62)
Group Chief Financial Officer

Simon Cooper (54)
CEO, Corporate, Commercial & Institutional Banking and Europe & Americas

Simon joined the Group as CEO, Corporate & Institutional Banking in April 2016. He assumed additional responsibility for Commercial Banking in March 2018 and the Europe & Americas region in January 2021.

Career Simon was previously group managing director and chief executive of Global Commercial Banking at HSBC. He has extensive experience across our markets and client segments. Simon joined HSBC in 1989 and held a number of senior roles there, including deputy chairman and chief executive officer, Middle East and North Africa; chief executive officer, Korea; and head of Corporate and Investment Banking, Singapore. He has significant experience in the areas of corporate finance, corporate banking and transaction banking.

External appointments Simon is a member of the advisory board of the Lee Kong China School of Business and a trustee of the Standard Chartered Foundation.

Claire Dixon (49)
Group Head of Corporate Affairs, Brand & Marketing

Claire joined Standard Chartered as Group Head of Corporate Affairs, Brand & Marketing in March 2021.

Career Claire is a seasoned communications expert who has led teams at global brands in a variety of sectors, in Europe and the US. She spent nearly eight years living and working in Silicon Valley, including for eBay/PayPal and most recently as Chief Communications Officer at Intel. Throughout her career she has been a champion for creating positive global impact, including leading Global Corporate Responsibility at GlaxoSmithKline.

External appointments Claire is a trustee of the Standard Chartered Foundation.

Judy Hsu (58)
CEO, Consumer, Private & Business Banking

Judy was appointed CEO, Consumer, Private & Business Banking on 1 January 2021 and has been a member of the Group's Management Team since 2018.

Career Prior to her most recent appointment, Judy was Regional CEO, ASEAN & South Asia, a position she held from June 2018. Judy was the country CEO for Standard Chartered Singapore from 2015 to 2018. She joined Standard Chartered in December 2009 as the Global Head of Wealth Management and led the strategic advancement of the Bank's wealth management business. Prior to this, Judy spent 18 years at Citibank, where she held various leadership roles in its Consumer Banking business in Asia.

External appointments Judy is serving as a board member of the Urban Redevelopment Authority Singapore as well as Workforce Singapore. She was appointed to the board of CapitaLand Investment Limited as an Independent Director in June 2021.

Benjamin Hung (57)
CEO, Asia

Ben was appointed CEO, Asia on 1 January 2021.

Career Ben joined Standard Chartered in 1992 and has held a number of senior management positions spanning corporate and retail banking. Prior to his current role, Ben was Regional CEO for Greater China & North Asia and CEO for the Bank's Retail Banking and Wealth Management businesses globally. He is currently based in Hong Kong and has international banking experience in the United Kingdom and in Canada. Ben was previously chairman of the Hong Kong Association of Banks, a member of the Financial Services Development Council and a board member of the Hong Kong Airport Authority and the Hong Kong Hospital Authority. He was also a Council Member of the Hong Kong University.

External appointments Ben is an independent non-executive director of the Hong Kong Exchanges and Clearing Limited and a member of the Hong Kong Chief Executive's Council of Advisers on Innovation and Strategic Development. He also sits on the Exchange Fund Advisory Committee and is a member of the General Committee of the Hong Kong General Chamber of Commerce. He is a strategic advisor at the International Consultative Conference on the Future Economic Development of Guangdong Province, China.

Tanuj Kapilashrami (44)
Group Head, Human Resources

Tanuj joined the Management Team as Group Head, Human Resources (HR) in November 2018. She joined the Bank in March 2017 as Group Head, Talent, Learning and Culture and took on additional responsibility as Global Head HR, Corporate, Commercial and Institutional Banking in May 2018.

Career Prior to joining the Group, Tanuj built her career at HSBC. She has worked across multiple HR disciplines in many of our footprint markets (Hong Kong, Singapore, Dubai, India and London).

External appointments Tanuj is a non-executive director of Sainsbury's PLC and a member of their Nomination and Remuneration committees. She is a member of the Asia House board of trustees, of which Standard Chartered is a founding stakeholder. Asia House is a London-based centre of expertise on trade, investment and public policy whose mission it is to drive political, economic and commercial engagement between Asia and Europe. Tanuj is also a board member of the UK Financial Services Skills Commission.

Sunil Kaushal (56)
CEO, Africa & Middle East

Sunil was appointed CEO, Africa & Middle East on 1 October 2015.

Career Prior to his current role, Sunil was regional CEO South Asia, responsible for Standard Chartered's operations in South Asia (which included India, Bangladesh, Sri Lanka, and Nepal). He has over 33 years of banking experience in diverse markets and has been with Standard Chartered for over 23 years, holding senior roles across the Wholesale and Consumer Bank. Sunil has rich experience across the Group's footprint, having served as the Head of Corporate Banking in UAE, Head of Originations and Client Coverage in Singapore, Global Head Small and Medium Enterprises (SME) and New Ventures in Singapore and Chief Executive Officer of Standard Chartered Bank (Taiwan) Ltd.

Before joining Standard Chartered in 1998, Sunil held various banking positions at a number of leading international financial institutions.

External appointments Sunil is a Global Advisory Board member of MoneyTap, a leading Indian Fintech company.

Roel Louwhoff (56)
Chief Digital, Technology & Innovation Officer

Roel joined the Group as Chief Digital, Technology & Innovation Officer in November 2021 and is responsible for leading the digital transformation of the Group into an agile, digital and future-focused organisation. He spearheads the Group's technology strategy; the development of its technology systems and infrastructure, which support its customers and employees globally; and leads its innovation. Roel's expanded role as Chief Technology, Operations and Transformation Officer commences on 1 April 2022.

Career Prior to joining Standard Chartered, Roel was Chief Operations and Transformation Officer at ING Bank, where he oversaw operations, technology and the broader transformation agenda. During his seven years in this role, Roel led the successful digital transformation of ING, seen by many as a trailblazer in digitising financial services. Before ING, Roel spent ten years at British Telecom (BT), latterly as CEO of BT-Operate based in the UK. At BT, he redefined the technology and operational approach and led the BT communication side of the 2012 Olympics before applying that learning in delivering turn-key digital and infrastructure solutions for major exhibition and sporting events.

External appointments None.

Tracey McDermott, CBE (52)
Group Head Conduct, Financial Crime and Compliance

Tracey has been the Group Head Conduct, Financial Crime and Compliance since January 2019. She originally joined Standard Chartered as Group Head of Corporate, Public and Regulatory Affairs in March 2017, subsequently adding Brand and Marketing to her portfolio in December 2017 and Compliance in March 2018.

Career Prior to joining the bank, Tracey served as Acting Chief Executive of the Financial Conduct Authority (FCA) from September 2015 to June 2016. She joined the then Financial Services Authority (FSA) in 2001 where she held a number of senior roles including: Director of Supervision and Authorisations, and Director of Enforcement and Financial Crime. Tracey also served as a Board Member of the FSA from April 2013, as a member of the Financial Policy Committee of the Bank of England, and as non-executive director of the Prudential Regulation Authority from September 2015 to June 2016. Prior to joining the FCA, Tracey worked as a lawyer in private practice, having spent time in law firms in the UK, USA and Brussels. In 2016, Tracey received a CBE for her services to financial service consumers and markets.

External appointments Tracey chairs the Net Zero Banking Alliance, is a member of the International Regulatory Strategy Group Council and chairs the Conduct and Ethics Committee of the Fixed Income, Currencies and Commodities Markets Standards Board. She is a trustee of the Standard Chartered Foundation.

Mark Smith (60)
Group Chief Risk Officer

Mark was appointed Group Chief Risk Officer in January 2016. Mark is responsible for Credit, Market, Operational and Technology, Information and Cyber Security, Reputational and Sustainability, Climate and Model Risk across the Group and ensuring the broader risk framework is effective. Mark is a member of the Court of Standard Chartered Bank.

Career Before joining Standard Chartered, Mark was the chief risk officer Europe, Middle East and Africa and global head, Wholesale Credit and Traded Risk for HSBC. He had a long and successful career at HSBC, having joined Midland Bank as a graduate trainee prior to its acquisition by HSBC. Other roles at HSBC included chief operating officer, Global Corporate & Institutional Banking. He has worked in London and Hong Kong.

External appointments Mark sits on the Foundation Board of the International Financial Risk Institute.

David Whiteing (53)
Group Chief Operating Officer

David joined Standard Chartered as Group Chief Operating Officer in September 2018 and will step down from the Group in March 2022.

Career David joined Standard Chartered from the Commonwealth Bank of Australia where he was the Group Chief Information Officer, responsible for all of the technology and operations teams of the Group and for delivering the Group's strategic pillar of 'world leading application of operations and technology.' He is a highly experienced executive with a track record of delivering cultural transformation in Australia and overseas. Prior to joining the CBA Group in 2013, David was Vice President of Enterprise Systems at BP in the UK. He is a former Accenture technology and operations partner with extensive transformation experience.

External appointments David is an independent director of Silicon Quantum Computing Ltd and a director of Zetaris Ltd.

Mary Huen (54)
CEO, Hong Kong and Cluster CEO, Hong Kong, Taiwan and Macau

Mary was appointed Chief Executive Officer (CEO) for Hong Kong in March 2017, and took on an expanded role as Cluster CEO for Hong Kong, Taiwan and Macau in January 2021. She joined the Group's Management Team in December 2021.

Career Mary has over 30 years of experience in business management and banking services. Since joining the bank in 1991, she has held various key positions across balance sheet product management, wealth management and distribution. Prior to her current role, Mary was Regional Head of Retail Banking, Greater China & North Asia, and the Head of Retail Banking, Hong Kong.

External appointments Mary is the chairperson of the Hong Kong Association of Banks, a member of the Banking Advisory Committee of the Hong Kong Monetary Authority, the Financial Infrastructure and Market Development Sub-Committee and the Currency Board Sub-Committee under the Exchange Fund Advisory Committee. She is also a representative of Hong Kong, China to the Asia-Pacific Economic Cooperation (APEC) Business Advisory Council, the chairperson of the Hong Kong Trade Development Council Financial Services Advisory Committee and the Asian Financial Forum Steering Committee, a board member of the Hong Kong Tourism Board and Hospital Authority.

Mary is not a Person Discharging Managerial Responsibilities ("PDMR") under the UK Market Abuse Regulation.

Dr Michael Gorriz, previously Group Chief Information Officer, and David Fein, previously Group General Counsel, retired from the Group on 31 December 2021. It was announced on 13 January 2022 that Dr Sandie Okoro would join the Group as Group General Counsel in early April 2022.

Corporate governance

Key areas of Board discussion during 2021

The following pages offer an insight into key items covered by the Board during the year, as well as the structure of Board meetings and other activities.

The Board commences each year reviewing its key priorities to help formulate its forward plan, which requires a balance between standing items, governance requirements, and areas of strategic, operational and tactical focus. Board meetings help structure Board activities and facilitate discussion and action. In addition, they provide an important forum for oversight and challenge of management in respect to aspects of the Group's operations, performance and strategy. Some of the areas detailed on the following pages formed part of the standing agenda for each meeting, while others were reviewed periodically throughout the year.

Stakeholder consideration and open interaction are central to the Board's priorities, with the need to generate and promote positive stakeholder relationships of key importance. Significant time is spent interacting with key stakeholders to better understand their views, as well as the opportunities, challenges and the Group's impact across our diverse markets. In addition, the Board regularly discusses the impact on stakeholders, their views and their feedback, whether in Board and committee meetings, or as part of other interactions across the Group. Some examples of this can be found in the section 172 of the Companies Act 2006 (s.172) disclosure on pages 50 to 77, within spotlight items on the following pages and on pages 110 to 115.

Directors are alert to their statutory duties and obligations, including those outlined under s.172, and this forms an integral part of director induction and annual training. The Board will continue to focus on considering stakeholders as part of the Board's decision-making.

Code compliance

The UK Corporate Governance Code 2018 (the Code) and the Hong Kong Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules (HK Code) are the standards against which we measured ourselves in 2021.

The directors are pleased to confirm that Standard Chartered PLC (the Company) continued to comply with the provisions set out in the Code and the HK Code for the year under review.

Throughout this corporate governance report we have provided an insight into how governance operates within the Group and how we have applied the principles set out in the Code and HK Code.

The Group confirms that it has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than required by Appendix 10 of the Hong Kong Listing Rules. Having made specific enquiry of all directors, the Group confirms that all directors have complied with the required standards of the adopted code of conduct.

+ Copies of the UK Corporate Governance Code and the Hong Kong Corporate Governance Code can be found at **frc.org.uk** and **hkex.com.hk** respectively

+ To the extent applicable, information required by paragraphs 13(2) (c), (d), (f), (h) and (i) of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is available in Other disclosures on **pages 181 to 190**

COVID-19 continued response

As was the case last year, the evolution of the pandemic continued to impact our colleagues, clients and communities during 2021. The Group operates across a diverse footprint, and the extent to which COVID-19 impacted each market varied. Despite the continued uncertainty, the Board maintained its oversight of effective governance across the Group. Board meetings continued to be held in a virtual or hybrid form throughout the year as a result of ongoing travel restrictions impacting many of the Group's geographies. While the Board was unable to meet in a number of key markets this year, it was actively involved in a virtual capacity. Further detail can be found later in this report.

The Board continues to play a key role in steering the Group's COVID-19 response, receiving regular updates at scheduled Board meetings. The Board's focus remained to protect stakeholder interests, including our colleagues' wellbeing, shareholder rights, customer and client needs, as well as support for our communities. In order to assist with this aim, the Board delegated specific responsibilities to its committees and the Management Team during 2020, and this framework remained in place through 2021. Where necessary, expert opinions were sourced, both externally and from inside the Group, which also helped ensure effective decision-making by the Board.

Our stakeholders, their interests: driving commerce and prosperity through our unique diversity

The Board spends significant time considering and interacting with its key stakeholders to better understand their views and perspectives. A summary of stakeholder interests can be found in the Strategic report on the pages identified below.

Clients Read more on **page 52**

Regulators and governments Read more on **page 53**

Investors Read more on **page 54**

Suppliers Read more on **page 54**

Society Read more on **page 55**

Employees Read more on **page 56**

Group strategy

- Reviewed and approved the 2022-2026 Corporate Plan as a basis for preparation of the 2022 budget, receiving confirmation from the Group Chief Risk Officer that the plan is aligned to the Enterprise Risk Management Framework and the Group Risk Appetite Statement
- Discussed progress made against the Group's strategic priorities and critical enablers
- Reviewed the Group's Stands
- Reviewed and scrutinised the strategic and operational performance of the business across client segments, product groups and regions, which included details of their priorities, progress, opportunities and response to current events. This included deep dives into the following areas:
  - China
  - Hong Kong
  - SME banking
  - Personal banking
- Discussed, reviewed and approved the Group's net zero pathway
- Received and discussed regular corporate development updates
- Reviewed and approved changes to certain property-related supplier relationships in line with the Group's property strategy
- Discussed and reviewed the Group's technology and innovation strategy
- Received an update on the Group's investment in China Bohai Bank
- Discussed SC Ventures, strategic investments and partnerships process

Spotlight

The Group's Stands

The Group launched a combined narrative for the organisation, bringing together what we stand for and aligning the strategy, priorities and actions to deliver on them. One of the key components of the narrative is the Stands. We have three Stands – Accelerating Zero, Lifting Participation and Resetting Globalisation. The Stands are not an add-on or separate from our strategy, but instead are executed through our strategy. During the year, the Board received feedback on colleagues' reactions to the Stands, as well as providing its own reflections and views. In addition, the Board highlighted areas of caution to management associated with this initiative. Further detail regarding the Stands can be found on pages 24 and 25.

Stakeholders

- Clients
- Regulators and governments
- Investors
- Suppliers
- Society
- Employees

Risk management

- Reviewed and discussed risk reports from the Group Chief Risk Officer
- Received regular updates on the impact of COVID-19
- Engaged with the Prudential Regulation Authority (PRA) on the findings of their 2021 Periodic Summary Meeting Letter
- Discussed and reviewed the Group's risk culture
- Approved the risk appetite validation of the 2022 Corporate Plan
- Approved the renewal of the Group's insurance policies for 2021/2022
- Discussed many aspects of Resolvability, approved the Group's Resolvability Assessment Report and undertook a significant Board and management Resolvability scenario
- Discussed and reviewed the Group's Transformation and Remediation Portfolio and Information and Cyber Security (ICS) Risk profile
- Undertook blue sky thinking/horizon scanning discussions, which considered the potential risks and opportunities that the Group might be or could become exposed to

Spotlight

Group Chief Risk Officer's report

The Group Chief Risk Officer regularly presents reports at Board meetings. The content of the report covers the macroeconomic environment, geopolitical outlook and key risk trends, with a particular focus on Risk Appetite, the impact from the pandemic and other market events on our portfolio, markets and operations, updates on Principal and Integrated Risk Types, and key regulatory matters. The Board deliberates on the updates provided and engages in robust review and challenge where appropriate.

Stakeholders

- Clients
- Regulators and governments
- Investors
- Suppliers
- Society
- Employees

Key areas of Board discussion during 2021 continued

Financials and performance

- Approved and reviewed the Group's 2022-2026 Corporate Plan and 2022 budget
- Monitored the Group's financial performance
- Approved the full year and half year results
- Monitored and assessed the strength of the Group's capital and liquidity positions
- Considered the Group's approach to capital management and returns
- Approved 2020 final dividend and 2021 interim dividend
- Approved two share buy-back programmes
- Received bi-annual updates on and discussed the Group's major investment programmes in 2021 including an update on the Group's digital transformation agenda
- Received bi-annual updates on, and discussed, investor relations matters
- Discussed peer benchmarking against 2020 performance
- Approved the Group's 2020 Country-by-Country Reporting disclosures
- Received an update on new ways of working

Spotlight

Share buy-back programmes

In 2021 the Board approved, after engagement with the regulator, the re-commencement of a share buy-back programme that was suspended in March 2020 due to the impact of the pandemic and in response to a request by the PRA. The Board recognised the significance of balancing a cautious approach to capital management in light of the continued impact of the pandemic against returns to our shareholders, and this was reinforced by the decision to approve a further buy-back programme that completed in September 2021. The Board will continue to consider and engage with stakeholders in order to drive optimal ways of generating shareholder value.

Stakeholders

Regulators and governments | Investors

People, culture and values

- Approved the Group's 2020 Modern Slavery Statement
- Discussed progress made against the Group's people strategy
- Discussed and reviewed an update on the Group's culture
- Discussed aspects of the Group's global employee engagement survey, My Voice
- Received updates on the progression and evolution of the Management Team's and senior management's succession plans
- Discussed the Group's Global Diversity and Inclusion initiatives
- Discussed the Board Diversity Policy
- Reviewed an annual report update on the operation and effectiveness of the Group's Speaking Up programme
- Approved the adoption of the 2021 Standard Chartered Share Plan, subject to shareholder approval at the 2021 Annual General Meeting (AGM)

Spotlight

People strategy

The Board reviewed the progress made on the people strategy previously approved by the Board in the context of evolving client needs, the industry, and expectations of colleagues, particularly in light of the ongoing pandemic. The Board recognised the importance of providing constructive feedback on the strategy and discussed aspects of the people and culture agenda where they anticipated challenges.

Stakeholders

Clients | Society | Employees

External environment

- Received updates on the macroeconomic headwinds and tailwinds in the global economy, including an assessment of the impact on the key drivers of the Group's financial performance
- Received internal and external briefings and input across a range of subjects, including:
  - climate-related matters
  - net zero pathway methodology
  - developments in cloud technology, digital currencies and crypto assets
  - the global economic outlook
  - economic recovery, risks and opportunities
  - evolving geopolitical landscape
  - 'blue sky thinking'/'horizon scanning' discussions

Spotlight

Economic recovery, risks and opportunities

Similar to last year, the Board invited a number of external and internal speakers to attend Board sessions. The speakers provided expert, professional insights across a variety of matters, such as commentary on the economic recovery during 2021 and key risks to recovery in the future. These insights provided valuable context to Board discussions on how these risks and opportunities may impact the Group, what further actions may be prudent in response to these risks, and a consideration of other external risks. Briefings also helped shape Board decision-making more broadly.

Stakeholders

Clients | Suppliers | Regulators and governments | Investors | Society | Employees

Governance

- Noted and/or approved changes to the membership of the Audit and Remuneration committees
- Received reports at each scheduled meeting from the Board committee Chairs on key areas of focus for the committees and quarterly updates from Standard Chartered Bank (Hong Kong) Limited and its Audit and Board Risk committees
- Approved the re-appointment of independent external adviser to the Board on cyber security and cyber threats
- Authorised various potential conflicts of interest relating to directors' external appointments
- Discussed the observations and themes arising from the 2021 internal Board and committees' effectiveness review and approved the 2022 Action Plan
- Reviewed, and approved updates where appropriate, to the Terms of Reference for each Board committee
- Further developed meaningful linkages between the Board and its subsidiaries at chair, board and committee level
- Approved the transition from the Brand, Values and Conduct Committee to the Culture and Sustainability Committee

Spotlight

Culture and Sustainability Committee

The Board approved the change from the Brand, Values and Conduct Committee (BVCC) to the Culture and Sustainability Committee (CSC) in May 2021 following a refocus of the Committee's remit. Greater weight has been given to environmental, social and governance (ESG) matters, and areas of duplication addressed.

Detailed mapping work was conducted which resulted in the recommendation of a number of changes to the BVCC's Terms of Reference, including handing off areas of overlap to a combination of other Board committees, management and the Board. Further detail can be found in the CSC report on page 130.

Stakeholders

- Clients
- Society
- Suppliers
- Investors
- Regulators and governments
- Employees

Shareholder and stakeholder engagement

- Engaged virtually with investors, held meetings with brokers, discussed the views of institutional shareholders
- Held the 2021 AGM
- Held a virtual stewardship event attended by investors representing a sizeable proportion of our equity as well as several shareholder representative bodies
- Engaged with key clients, shareholders and regulators
- Discussed support provided to clients, colleagues and communities during continued impact of the pandemic
- Received bi-annual updates from Investor Relations, including share price and valuation analysis, market engagement and ownership analysis and sell-side sentiment
- Held six virtual employee engagement sessions across our markets

Spotlight

AGM

The Board's intention was to invite shareholders to attend the 2021 AGM in person, especially as this is regarded as an important opportunity for shareholders to engage with the Board. However, due to the continued challenge of the pandemic, including prevailing government guidelines on non-essential travel and public gatherings at the time, the Company's AGM on 12 May 2021 was held as a combined physical and electronic meeting. Shareholders were not permitted physical entry into the AGM venue but were able to attend the AGM electronically via a live web-portal. The meeting format ensured that shareholders could engage with the Board regarding the Company's recent performance and strategic priorities, while also protecting the health and safety of our shareholders, colleagues and other stakeholders. Further detail regarding the meeting can be found on page 112.

Stakeholders

- Regulators and governments
- Investors
- Society
- Employees

For a detailed overview of our strategy see **pages 22 and 23**

Examples of how the Board considered stakeholder perspectives in some principal decisions during the year are provided on **pages 53 and 66**

Board and committee structure: decisions, responsibilities and delegation of authority

Standard Chartered PLC

The Board must act with integrity and is collectively responsible for establishing the Company's purpose, values and strategy, promoting its culture, overseeing its conduct and affairs for promoting the long-term success of the Group, and ensuring leadership within a framework of effective controls.

The Board sets the strategic direction of the Group, approves the strategy and takes the appropriate action to ensure that the Group is suitably resourced to achieve its strategic aspirations.

The Board considers the impact of its decisions and its responsibilities to all of the Group's stakeholders, including employees, shareholders, regulators and governments, clients, suppliers, the environment and the communities in which it operates.

The Board discharges its responsibilities directly or, in order to assist it in carrying out its function of ensuring effective independent oversight and stewardship, delegates specified responsibilities to its committees. Detail of how the Board fulfilled its responsibilities in 2021, as well as key topics discussed and considered by the Board committees, can be found in this Directors' report.

Biographies for each director are set out on pages 91 to 94.

Audit Committee

Oversight and review of matters relating to financial reporting, the Group's internal controls and internal financial controls, and the work undertaken by Conduct, Financial Crime & Compliance, Group Internal Audit and the Group's Statutory Auditor, Ernst & Young LLP (EY).

Read more on **page 116**

Board Risk Committee

Oversight and review of the Group's Risk Appetite Statement, the appropriateness and effectiveness of the Group's risk management systems and the principal risks, including Climate Risk, to the Group's business. Furthermore, consideration of the implications of material regulatory change proposals and due diligence on material acquisitions and disposals.

Read more on **page 123**

Culture and Sustainability Committee

Oversight and review of the Group's culture and key sustainability priorities.

Read more on **page 130**

Governance and Nomination Committee

Oversight and review of Board and executive succession, overall Board effectiveness and corporate governance issues.

Read more on **page 133**

Board Financial Crime Risk Committee

Oversight and review of the effectiveness of the Group's policies, procedures, systems, controls and assurance arrangements designed to identify, assess, manage, monitor and prevent and/or detect money laundering, non-compliance with sanctions, bribery, corruption and tax crime by third parties.

Read more on **page 138**

Remuneration Committee

Oversight and review of remuneration, share plans and other incentives.

Read more on **page 141**

Group Chief Executive

The Group Chief Executive is responsible for the management of all aspects of the Group's businesses, developing the strategy in conjunction with the Group Chairman and the Board, and leading its implementation.

The Board delegates authority for the operational management of the Group's business to the Group Chief Executive for further delegation by him in respect of matters that are necessary for the effective day-to-day running and management of the business. The Board holds the Group Chief Executive accountable in discharging his delegated responsibilities.

Management Team

The Management Team comprises the Group Chief Executive and the Group Chief Financial Officer, regional CEOs, client segment CEOs, and our global function heads. It has responsibility for executing the strategy. Details of the Group's Management Team can be found on **pages 95 to 97**.

Terms of Reference for the Board and each committee are in place to provide clarity over where responsibility for decision-making lies. These are reviewed annually against industry best practice and corporate governance provisions and guidance, including the PRA Supervisory Statement on Board Responsibilities.

With the exception of the Governance and Nomination Committee (where the Group Chairman is its Chair) and the Board Financial Crime Risk Committee (where two external advisers are members), all of the Board committees are composed of independent non-executive directors (INEDs) who bring a diversity of skills, experience and knowledge to the discussion, and play an important role in supporting the Board.

+ Written Terms of Reference for the Board and its committees can be viewed at **sc.com/termsofreference**

Our Board meetings

The Board is committed to maintaining a comprehensive schedule of meetings and a rolling agenda to ensure its time is used most effectively and efficiently, and is supported by the Group Company Secretary to facilitate this. Flexibility in the programme is important and permits key items to be added to any agenda so that the Board can focus on evolving and important matters at the most appropriate time.

Performance against delivery of the agreed key financial priorities is reviewed at every scheduled meeting, with particular reference to the detailed Group management accounts. The Group Chief Executive and Group Chief Financial Officer comment on current trading, business performance, the market, colleagues, relevant stakeholders, and regulatory and external developments at each scheduled meeting, and present comparative data and client insight. In addition, the Group Chief Risk Officer periodically attends meetings to update the Board on key risks.

The Group Chairman holds INED-only meetings ahead of each scheduled Board meeting, which provides the opportunity for discussion on key agenda items and other matters without the executive directors and management present.

Sir Iain Lobban, who is engaged by the Board to act as an independent adviser to the Board and its committees on cyber security and cyber threat management, attended a number of Board and committee meetings to provide an independent and current view on the Group's progress in this area. The Board continue to find Sir Iain's input relevant, practical and challenging. In 2021, Sir Iain's appointment was renewed for a further 12-month term.

Our Board committees

The Board places significant reliance on its committees by delegating a broad range of responsibilities and issues to them. It therefore remains crucial that effective linkages are in place between the committees and the Board as a whole, not least as it is impracticable for all INEDs to be members of all of the committees. Mechanisms are in place to facilitate these linkages, including ensuring that there are no gaps or unnecessary duplications between the remit of each committee and overlapping membership between Board committees where necessary. Alongside interconnected committee membership, the Board receives a written summary of each of the committee's meetings and verbal updates at the Board, where appropriate.

Further details on each committee, including their oversight and focus during 2021, can be found in the Board committee reports starting on page 116.

Development of Board activities in 2021

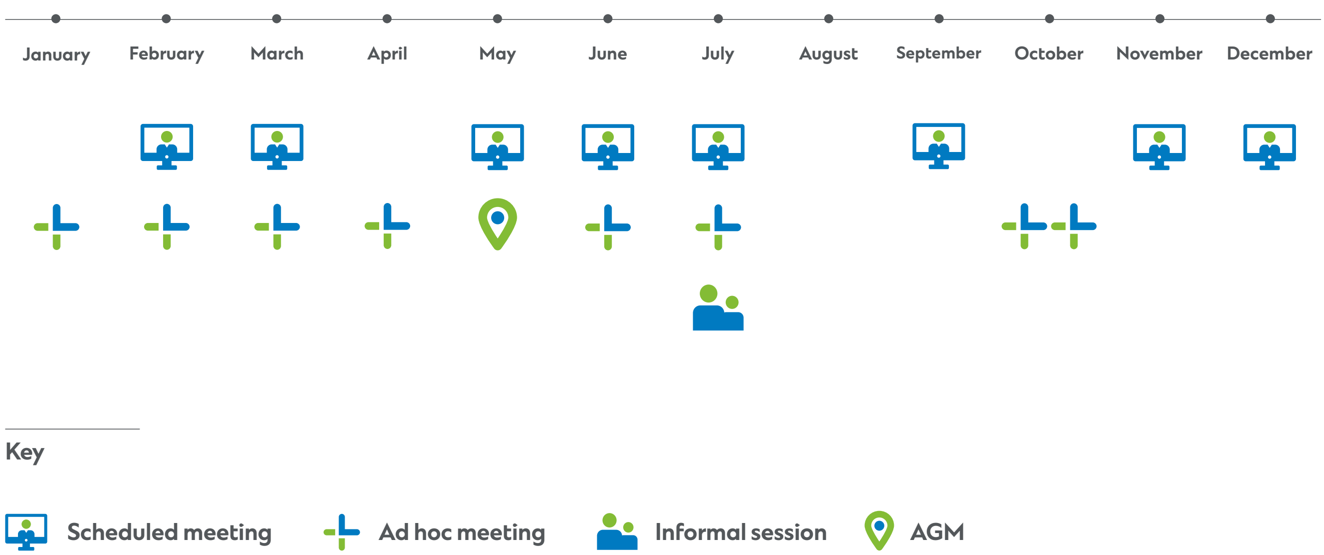
As the pandemic continued into 2021, the Board and its committees maintained their utilisation of interactive technology to ensure agile and authentic engagement. The most appropriate format for each Board meeting was assessed by the Group Chairman, with support from the Group Company Secretary, on a case-by-case basis. This was essential due to evolving external factors such as travel restrictions, with some meetings being held as a hybrid but the vast majority held entirely virtually.

Overall, the Board adjusted well to a fluid approach to meeting formats, and irrespective of physical location and time zone, each director was able to interact effectively with other Board members.

As was the case last year, the length of scheduled Board meetings was adjusted and a number of ad hoc meetings and informal sessions were organised. This enhancement to the Board's programme helped uphold and protect considered and collaborative discussion on key items.

The timeline on this page shows the Board's collective engagement throughout the year.

Board activities during 2021



Board composition, roles and attendance in 2021

The Group Chairman is committed to ensuring optimal Board effectiveness. A key mechanism to drive this is the appropriate composition and balance of individuals.

The Board is composed of a majority of independent non-executive directors.

Detail regarding Board diversity can be found within the Governance and Nomination Committee report on **pages 133 to 137**

Group Chairman

Group Chairman
J Viñals

Responsibilities
Responsible for leading the Board, ensuring its effectiveness in all aspects of its role and developing the Group's culture with the Group Chief Executive. Promotes high standards of integrity and governance across the Group and ensures effective communication and understanding between the Board, management, shareholders and wider stakeholders.

	Attendance
AGM[1]	Y
Scheduled	8/8
Ad hoc	8/8

Executive directors

Group Chief Executive
W T Winters

Responsibilities
Responsible for the management of all aspects of the Group's businesses, developing the strategy in conjunction with the Group Chairman and the Board and leading its implementation.

	Attendance
AGM[1]	Y
Scheduled	8/8
Ad hoc	8/8

Group Chief Financial Officer
A N Halford[2]

Responsibilities
Responsible for Finance, Corporate Treasury, Strategy, Group Corporate Development, Group Investor Relations, Property and Supply Chain Management functions.

	Attendance
AGM[1]	Y
Scheduled	8/8
Ad hoc	7/8

Independent non-executive directors

Deputy Chairman
N Kheraj

Responsibilities
Provides support and guidance to the Group Chairman as required and, in coordination with the Group Chairman, acts as an ambassador for the Board and the Group in their relationships with governments, regulators, colleagues and clients. Deputises for the Group Chairman at Board, general shareholder, or other meetings when the Group Chairman is unable to attend.

	Attendance
AGM[1]	Y
Scheduled	8/8
Ad hoc	8/8

Senior Independent Director
C M Hodgson, CBE

Responsibilities
Provides a sounding board for the Group Chairman and discusses concerns that are unable to be resolved through the normal channels or where such contact would be inappropriate with shareholders and other stakeholders. Chairs the Governance and Nomination Committee when considering succession of the Group Chairman. Is available to shareholders if they have concerns that cannot be resolved or for which the normal channels would be inappropriate. Can be contacted via the Group Company Secretary at 1 Basinghall Avenue, London EC2V 5DD.

	Attendance
AGM[1]	Y
Scheduled	8/8
Ad hoc	8/8

	Attendance		
	AGM[1]	Scheduled	Ad hoc
D P Conner	Y	8/8	8/8
B E Grote[2]	Y	8/8	7/8
G Huey Evans, CBE	Y	8/8	8/8
P G Rivett[2]	Y	8/8	7/8
D Tang	Y	8/8	8/8
C Tong	Y	8/8	8/8
J M Whitbread	Y	8/8	8/8
N Okonjo-Iweala	N/A	1/1	2/2
M Ramos	Y	8/8	8/8

Responsibilities
Provide an independent perspective, constructive challenge, and monitor the performance and delivery of the strategy within the Risk Appetite and controls set by the Board.

INEDs that have stepped down

Ngozi Okonjo-Iweala stepped down from the Board on 28 February 2021.

INEDs that have joined

Maria Ramos joined the Board as an INED on 1 January 2021.

1 Directors participated electronically at the AGM. Further detail can be found on page 112

2 A number of ad hoc meetings were arranged during the year. As they took place outside of the scheduled Board calendar, it impacted the ability of our directors to attend these meetings. All directors who were unable to attend received accompanying material and had opportunities to provide comments to the Board. Further detail is provided below:
- Andy Halford was unable to attend the ad hoc meeting held on 3 June 2021 due to a medical appointment
- Byron Grote and Phil Rivett were unable to attend the ad hoc meeting held on 18 October 2021 as a result of long-standing external board commitments

The biographies of each director are set out on **pages 91 to 94**

The roles of the Group Chairman and Group Chief Executive are distinct from one another and are clearly defined in detailed role descriptions which can be viewed at **sc.com/roledescriptions**

Director induction

All new Board members are given an extensive and robust induction programme which is tailored to reflect their skills and experience. This is to ensure all directors are in a strong position to make positive contributions from the outset of their tenures.

A formalised framework for induction programmes guarantees key topics are covered, including information on a diverse range of matters relating to the role and responsibilities of a director as well as our businesses and markets. Each induction typically consists of a combination of meetings with existing Board members and senior staff. New Board members are also given the opportunity to attend key management meetings and engage with key stakeholders such as investors and clients. In light of the continued impact of the pandemic, visits to key markets across our footprint have been restricted and typically replaced with virtual engagements.

The Group Corporate Secretariat function supports the INEDs as they undertake their induction programmes, which are typically completed within the first six to nine months of an INED appointment. The programmes are regularly reviewed and take into account directors' feedback to ensure continuous development and improvement.

One new director, Maria Ramos, was appointed to the Board in January 2021. Maria brings highly applicable skills and a range of knowledge relevant to Board debate and discussion. She possesses deep CEO, banking, commercial, financial, policy and international experience, as well as considerable non-executive experience, having served on international boards. Prior to being appointed to the Board, the Audit and Board Risk committees, and later the Remuneration committee, Maria was given a number of induction sessions to ensure a smooth transition into taking up her roles. On joining the Board and committees, she undertook a detailed induction programme. Further detail can be found on pages 106 and 107.

Ongoing development plans

Continuous training and development beyond a director's induction plan is essential to maintaining a highly engaged, effective and well-informed Board. Ongoing development plans also help ensure directors lead with integrity and promote the Group's culture, purpose and values.

Mandatory learning and training are important elements of directors' fit and proper assessments as mandated under the Senior Managers Regime. During the year, all directors received a combination of mandatory learning and training, internal and external briefings, presentations from guest speakers, and papers on a wide range of topics to ensure the directors are well-informed and that the Board remains highly effective. The Board committee members also received specific training relevant to the work of their respective committees. The format of ongoing training varied, including formal refresher sessions and informal meetings. The training covered a variety of topics throughout the year, the majority of which were held virtually in light of the continued impact of the pandemic. The table below gives further detail on who received these briefings.

The Group Chairman reviews with each director their training and development needs both in real time and as part of the annual performance cycle. Where it is recognised that the Board or individual directors need further training or development in key areas, additional sessions are arranged with subject matter experts.

All of the directors have access to the advice of the Group Company Secretary, who provides support to the Board and is responsible for advising the Board on governance matters. Directors also have access to independent professional advice at the Group's expense where they judge it necessary to discharge their responsibilities as directors.

2021 director training overview

	Induction[1]	Directors' duties and regulatory updates[2]	Activism[3]	Digital currencies	Technology	Climate-related matters	Climate Risk	Global economic outlook
J Viñals	N/A	✓	✓	✓	✓	✓	✓	✓
W T Winters	N/A	✓	N/A	✓	✔	✓	✔	✓
A N Halford	N/A	✓	N/A	✓	✓	✓	✓	✓
D P Conner	N/A	✓	✔	✓	✓	✓	✓	✓
B E Grote	N/A	✓	✓	✓	✓	✓	✓	✓
C M Hodgson, CBE	N/A	✓	✓	✓	✔	✓	✔	✓
G Huey Evans, CBE	N/A	✓	✓	✓	✓	✓	✓	✓
N Kheraj	N/A	✓	✓	✓	✓	✓	✓	✓
N Okonjo-Iweala[4]	N/A	N/A	N/A	N/A	N/A	✓	N/A	N/A
M Ramos[5]	✓	✓	✓	✓	✓	✓	✓	✓
P G Rivett	N/A	✓	✓	✓	✓	✓	✓	✓
D Tang	N/A	✓	✓	✓	✓	✓	✓	✓
C Tong	N/A	✓	✓	✓	✓	✓	✓	✓
J M Whitbread	N/A	✓	✔	✓	✓	✓	✓	✓

1 Applicable to directors who received induction training during 2021
2 Training took place via circulation of material and opportunity to raise questions with external counsel and the Group Company Secretary
3 Training was specifically designed for non-executive directors
4 Ngozi Okonjo-Iweala stepped down from the Board on 28 February 2021. Most training sessions identified above took place after this date
5 Maria Ramos joined the Board on 1 January 2021

✓ Director attended the session

✔ Director did not attend the session but received accompanying material and had opportunities to raise questions with the Group Chairman and Group Company Secretary

Spotlight

Board induction

An insight into Maria Ramos' tailored Board programme

Key topics	The induction programme covered a wide range of activities, including:
Board, Board committees and strategy	• held regular meetings with Group Chairman and Group Company Secretary, which included an overview of the Board as well as the Governance and Nomination Committee • held one-to-one meetings with Group Chief Executive, Audit Committee Chair, Board Risk Committee Chair, Senior Independent Director and Remuneration Committee Chair • briefing on overview of Board committees with Culture and Sustainability Committee Chair and Board Financial Crime Risk Committee Chair • held one-to-one engagements with INEDs • briefing on the Group's strategic agenda and core strategic projects from Global Head, Strategy • separate committee inductions were also undertaken during the year
Conduct, financial crime and compliance	• briefings on overview of and introduction to Compliance with Group Head Conduct, Financial Crime and Compliance and Group Chief Risk Officer • Speak up/whistleblowing discussion with Compliance team • meeting with Global Head of Financial Crime Compliance, Conduct & Compliance Framework concerning Financial Crime Compliance Programme • regulatory requirements and conduct training with Group Regulatory Advisor and Compliance team • briefings on regulatory affairs, Senior Managers Regime, systems and controls, treating customers fairly and conduct of business with Group Regulatory Advisor and Compliance team • discussion on internal governance including changes connected to hub entity structure with Group Regulatory Advisor • meetings with Financial Conduct Authority and Prudential Regulation Authority • briefing on the Group's Conduct programme and Code of Conduct with Group Head Conduct, Financial Crime and Compliance • meeting with Global Head, Sanctions Compliance
Corporate governance	• overview of the UK and HK corporate governance landscape with Group Company Secretary • meeting with external counsel on directors' responsibilities and duties as well as UK and Hong Kong legal frameworks • briefing on Board, Board committee and individual director evaluation with Group Company Secretary • discussion on Board training and development programme with Group Company Secretary • discussion on key governance issues affecting the Company and shareholder feedback from 2020 AGM • briefing on market, including shape of the share register and understanding the views of major institutional investors with Global Head, Investor Relations • overview of executive remuneration, including policy, trends and issues affecting the Group with Global Head, Performance and Reward

Interview with Maria Ramos

M Ramos
Independent Non-Executive Director

Q. In light of the continued impact of the pandemic your induction programme had to be undertaken remotely. How did you find that worked?

A. The extensive challenges including travel restrictions imposed by COVID-19 meant that the induction programme for an INED such as myself had to be adapted to new ways of working. The extensive programme of induction was structured so that it could be undertaken entirely remotely through the use of electronic facilities. The programme was completed over a six month period.

A significant amount of thought and planning went into the design of the programme to prioritise the key areas of work and responsibility so that I could participate appropriately in Board and committee work, no matter where I was physically located.

Key topics	The induction programme covered a wide range of activities, including:
Client segments, product groups and regional businesses	• meetings with Management Team members responsible for Corporate, Commercial and Institutional Banking, including Corporate Finance; Financial Markets; Transaction Banking; Retail Banking and Wealth Management; and Private Banking • meeting with Management Team members responsible for Africa and Middle East region; ASEAN and South Asia region; Greater China and North Asia region; and Europe and Americas region
Risk and control	• meeting with the Group Chief Risk Officer • briefing on anti-bribery and corruption (ABC) with Head ABC, Strategy, Governance and Programme Management • meeting with Group Chief Operating Officer
Legal	• session on Legal function, regulatory environment and government investigations with Group General Counsel • briefing on litigation matters with Senior Legal Counsel, Dispute Resolution
Finance, taxation, capital and liquidity	• meeting with Group Chief Financial Officer • session with Group Treasurer
Audit	• discussion with Group Head, Internal Audit • meeting with external auditors, EY • briefing on Audit Committee with Audit Committee Secretary
People	• briefing with Global Head, Human Resources on the Group's people strategy, culture and My Voice survey • meeting with Global Head, Performance and Reward on reward matters
Corporate activity, brand and marketing	• briefing on role of Corporate and Public Affairs with Group Head, Corporate Affairs, Brand and Marketing • corporate social responsibility overview with Group Head, Corporate Affairs, Brand and Marketing • meeting with Economic Research team, including macro-economic overview • corporate development overview with Global Head, Corporate Development • overview of Brand and Marketing with Group Head, Corporate Affairs, Brand and Marketing
Technology, operations and innovation	• briefing from Group Chief Information Officer on technology, operations, digital, cyber and innovation agenda • meeting with Group Chief Information Security Risk Officer • meeting with Global Head of SC Ventures
Visits to key markets	• due to the continued impact of the pandemic, visits to key markets were substituted with virtual stakeholder engagements. Visits to markets will take place once global travel restrictions lessen

Q. How successful did you view your induction programme in preparing you for Board and committee discussions?

A. The induction programme was exceedingly successful in preparing me for the work of the Board and committees. The materials prepared were focused and dealt with relevant issues. Importantly, I had the opportunity to meet (virtually) a lot of the executive leadership of the Bank around the world and interact with them.

Q. To what extent did your induction programme provide an insight into the Group's culture?

A. Although the interactions were all virtual, they provided me with important insights into the Bank's culture. The sense of purpose was visible, the commitment to sustainability, the resilience, care and respect for people were evident. Moreover, a culture of openness and transparency prevailed in my interactions with everyone I engaged with.

Q. How flexible did you find the induction programme?

A. The programme is flexible and each director elects topics for deep dives as necessary. I was able to balance this against a broad range of subjects.

Q. How effectively has your induction programme transitioned into ongoing engagement?

A. The programme provided me with the necessary base for engagement with key stakeholders, both internal and external.

Board effectiveness

The 2021 Board and committees' effectiveness review was conducted internally, facilitated by the Group Company Secretary, and in accordance with the UK Corporate Governance Code.

Progress against the 2021 Action Plan

The 2021 Action Plan set out a number of actions to be achieved following the internal Board evaluation conducted in 2020 and built on those ambitions set following the externally facilitated reviews by Independent Board Evaluation and the PRA in 2019. The 2021 Action Plan was regularly reviewed during the year and good progress had been made against many of the actions as evidenced by this year's internal Board effectiveness review. The continued limitations to travel during the year have impacted on the delivery of some specific actions which have been carried forward to 2022.

2021 Board effectiveness review

Questionnaires were sent to each director for completion in respect of the Board and relevant committees. These questionnaires sought to draw out and explore some of the themes for the previous year's review as well as pose some more wide-ranging and probing questions. The results were compiled into a detailed report and conclusions were discussed with the Group Chairman and by the Governance and Nomination Committee ahead of a Board discussion. At the Board, the key findings and recommendations were presented along with an Action Plan for 2022, which was then approved. Details of the key observations from this year's review and the agreed Action Plan are set out on this page.

The Board's six committees were also included as part of the effectiveness review. The observations and key themes were shared with the relevant committee Chairs before being circulated to each of the committees and action plans for 2022 approved. Details of the key observations and action plans for each of the committees can be found within each of the committees' reports.

Key observations from the 2021 internal effectiveness review

- The Board has continued to remain effective in meeting its priorities despite the continued COVID-constrained environment
- Recognition of the positive challenge provided to the strategy and helpful additional perspective on a range of issues from guest speakers and the 'blue sky sessions'
- Good progress made on understanding of the Group's Resolvability plans but a need to ensure they continue to develop and remain part of the forward agenda
- Support for the reallocation of the work of the Board Financial Crime Risk Committee (BFCRC) into a combination of the Audit Committee, Board Risk Committee (BRC) and Board
- Scope to continue training on the rapidly changing landscape of emerging technology and risks

2022 Action Plan

- Enhance the Board's insights into what customer/ product numbers drive revenue growth, how customers view the Bank and its brand, and how our initiatives are perceived relative to competitors
- Devote Board time to a broader discussion of the business enabling greater consideration of social trends, demographics and technology, as well as our competitors and trends from non-bank/financial services competitors
- Consider reallocating the work of the BFCRC to the BRC, Audit Committee and Board in 2022, maintaining strong oversight of financial crime risks
- Continue to focus on Resolvability and ensure this is embedded into the Board's forward agenda
- Review the key performance indicators and their scope to ensure new drivers of business growth and sustainability are measured, within an appropriate dashboard
- Continue to build the Board's training programme, scheduling further sessions on emerging technology and risks, digital assets, data, and current uses of artificial intelligence (AI). Explore the use of online modules and podcasts to enable greater flexibility and maximise the use of directors' time

Internal evaluation process

Directors' performance

The Group Chairman led the evaluation of individual director performance during 2021. These one-to-one sessions provided an important opportunity for each of the INEDs to discuss with José Viñals, among other things:

- their performance against core competencies and their individual effectiveness
- their time commitment to the Group, including (where relevant) the potential impact of any outside interests
- their ongoing development and training needs
- the Board's composition, taking into account when each INED envisaged stepping down from the Board
- the current and future committee membership and structure
- their engagement across the Group

These performance reviews are used as the basis for recommending the re-election of directors by shareholders at the 2022 AGM and to assist the Group Chairman with his assessment of the INEDs' competencies. In addition, the Group Chairman has responsibility for assessing annually the fitness and propriety of the Company's INEDs and the Group Chief Executive Officer under the Senior Managers Regime. These assessments were carried out in respect of each INED and the Group Chief Executive at the end of 2021.

Group Chairman's performance

The Senior Independent Director, Christine Hodgson, oversaw the process of reviewing the Group Chairman's performance.

Without the Group Chairman present, she spoke with the INEDs separately to evaluate his performance, taking into account the views of the executive directors. The feedback was collated, and consolidated feedback was shared with José Viñals.

Director independence

The Governance and Nomination Committee reviews the independence of each of the non-executive directors, taking into account any circumstances likely to impair, or which could impair, their independence. Recommendations are then made to the Board for further consideration.

In determining the independence of a non-executive director, the Board considers each individual against the criteria set out in the UK Corporate Governance Code, the Hong Kong Listing Rules and also considers their contribution and conduct at Board meetings, including how they demonstrate objective judgement and independent thinking.

The Board considers all of the non-executive directors to be independent of Standard Chartered, concluding that there are no relationships or circumstances likely to impair any INED's judgement.

Time commitment

Our INEDs commit sufficient time in discharging their responsibilities as directors of Standard Chartered. In general, we estimate that each INED spent approximately 35 to 70 days on Board-related duties, and considerably more for those who chair or are members of multiple committees.

External directorships and other business interests

Board members hold external directorships and other outside business interests. We recognise the significant benefits that broader boardroom exposure provides for our directors. However, we closely monitor the nature and quantity of external directorships our directors hold, in order to satisfy ourselves that any additional appointments will not adversely impact their time commitment to their role at Standard Chartered, and to ensure that all of our Board members remain compliant with the PRA directorship requirements, as well as the shareholder advisory groups' individual guidance on 'over-boarding'. These requirements impose a limit on the number of directorships both executive and independent non-executive directors are permitted to hold.

Details of the directors' external directorships can be found in their biographies on pages 91 to 94. Before committing to an additional appointment, directors confirm the existence of any potential or actual conflicts, that the role will not breach their limit as set out by the PRA, and provide the necessary assurance that the appointment will not adversely impact their ability to continue to fulfil their role as a director of the Company. All directors continue to hold no more than the maximum number of directorships permitted under the PRA rules.

Our established internal processes ensure that directors do not undertake any new external appointments without first receiving formal approval of the Board. The Board has delegated authority to make such approvals to the Group Chairman, with the exception of his own appointments. Of those INEDs who took on new external directorships during the year, three were regarded as significant directorships (appointed to the board of a listed company) and as such were announced to the market in line with our listing obligations. Further detail on the specific appointments are provided below:

- Jasmine Whitbread, independent non-executive director, was appointed Chair of the board of Travis Perkins plc with effect from 31 March 2021, and to the board of Compagnie Financière Richemont SA as a non-executive director and a member of its nominations committee with effect from 8 September 2021
- Following Petershill Partners plc's Initial Public Offering in London on 28 September 2021, Naguib Kheraj, Deputy Chairman, became Chairman of another public quoted company

Both directors individually discussed their respective appointments with the Group Chairman in advance of accepting the positions and each provided assurance that their appointments would not impact their abilities to devote sufficient time and focus to both their Board and committee responsibilities. Naguib Kheraj streamlined his committee responsibilities by stepping down as a member of the Remuneration and Audit committees.

The Board's executive directors are permitted to hold only one non-executive directorship. Of our executive directors, Andy Halford is the Senior Independent Director, Chair of the Audit Committee and member of the Nomination Committee at Marks and Spencer Group plc, listed on the FTSE 250, and Bill Winters is a non-executive director of Novartis International AG, listed on SIX Swiss Exchange.

Stakeholder engagement

Ensuring authentic engagement across our markets

Stakeholder consideration and engagement form a crucial aspect of Board decision-making and discussions. The Board also recognises this as significant in its continued review of the Group's purpose, values and strategy. Adjustment to the format of traditional engagement continued to be essential in 2021, as was the case during the preceding year.

Prior to the pandemic, the Board would visit different markets across the Group's footprint. This was a key enabler of stakeholder engagement as it provided detailed understanding of the markets, opportunities and risks the Group faces, as well as the opportunity to meet internal and external stakeholders. The Board hopes to be able to engage with stakeholders in person during 2022.

Board visits to markets were replaced with virtual engagements in 2021 due to the continued restrictions on travel. However, the Board recognises the mutual benefits to both stakeholders and itself from engagement activities.

While facilitating two-way dialogue via interactive technology was productive and effective, in some areas it did prevent the breadth of engagement which the Board would usually undertake. Despite this, authentic engagement led to a number of invaluable opportunities for the Board to meet with stakeholders across the Group's diverse network, including those identified on the following pages. Directors did not just engage collectively with stakeholders, but also communicated with some of them individually. External adviser members to the Board Financial Crime Risk Committee also engaged directly with stakeholders.

Informal and formal sessions with individual stakeholders and stakeholder groups across our footprint help provide INEDs and external adviser members with a comprehensive understanding of the Group's market operations, implementation of strategy, and the external and internal impact of the Group's services.

Further detail regarding the Board's engagement with our stakeholders can be found on the following pages. Detail regarding how Board Committees and their members engaged with stakeholders can be found in the committee report sections starting from page 116.

The Board of Directors
2021 AGM

Engagement with investors

Our approach

Increasing shareholder value by delivering robust returns and a long-term, sustainable share price is of key importance to the Board. Continuously looking to improve engagements helps support the Board's focus on developing open and trusted relationships with investors. This is underpinned by openly seeking feedback and reviewing previous activities.

As was the case for all forms of stakeholder engagement, the pandemic limited the Board's ability to physically meet with shareholders during the year. A virtual approach in most instances was taken. This restricted the on-the-ground benefits of Board members engaging with shareholders face-to-face but did offer shareholders the opportunity to participate in events where extensive travel may have restricted them in the past.

During the year, we maintained a comprehensive programme of engagement with investors and other key stakeholders, including investor advisory bodies and credit rating agencies, and provided updates on progress made to transform our business for improved returns.

The Group Chairman and other Board directors maintain direct contact with investors and advisory voting bodies, and receive regular updates from the Investor Relations team, including reports on market and investor sentiment. The Group Chairman, as part of his role, leads engagement with shareholders and hosted the 2021 AGM alongside fellow Board members. The Group Chairman and certain Board members also held an Investor Stewardship Event similar to last year.

Christine Hodgson, Chair of the Remuneration Committee, continued to discuss with and collect feedback from shareholders on a range of remuneration matters, including the Group's new Directors Remuneration Policy. In her role as Senior Independent Director she is also available to shareholders should they have concerns that cannot be resolved or for which the normal channels would be inappropriate.

Bill Winters and Andy Halford are the primary spokespeople for the Group. Throughout the year they engaged extensively with existing shareholders and potential new investors during individual or group virtual meetings and conferences. In addition, each member of the Management Team responsible for a client segment or a geographic region, as well as the Group Treasurer, virtually met with investors to promote greater awareness and understanding of the strategy in their respective areas, as well as taking the opportunity to receive investor feedback first hand.

Institutional shareholders

The Group maintains a diverse, high-quality and predominantly institutional shareholder base. The Investor Relations team has primary responsibility for managing day-to-day communications with these shareholders and provides support to the Group Chairman, Group Chief Executive, Group Chief Financial Officer, other Board members and senior management in conducting a comprehensive engagement programme.

+ Presentation material and webcast transcripts are made available on the Group's website and can be viewed at **sc.com/investors**

Investor stewardship event

The Group Chairman; Deputy Chairman and Chair of the Board Risk Committee; the Senior Independent Director and Chair of the Remuneration Committee; and the Chair of the Culture and Sustainability Committee hosted the stewardship event on 22 November 2021. The event was attended by investors representing a sizeable proportion of our equity as well as several shareholder representative bodies. As a result of feedback last year, the opening section of the event was streamlined, with the Group Chairman providing a strategic update regarding Board and committee activities during the year, as well as opening remarks from the Chair of the Remuneration Committee. This was followed by a question and answer session (Q&A). The event was held virtually, with live Q&A facilitated through a web-based platform, which permitted written and verbal communications.

Debt investors and credit rating agencies

Our Debt Investor Relations team has primary responsibility for managing the Group's relationships with debt investors and the three major rating agencies, with local market chief executives and chief financial officers leading on smaller subsidiary ratings. In 2021, management met virtually with debt investors across Europe, North America and Asia, and maintained a regular dialogue with the rating agencies. It is important that the Group, as an active issuer of senior unsecured and non-equity capital, maintains regular contact with debt investors to ensure continued appetite for the Group's credit. The Group's credit ratings are a key part of the external perception of our financial strength and creditworthiness.

+ Further information can be viewed at **sc.com/investors**

Engagement with investors: what we did during 2021

- **February** 2020 full year results
- **March** Investor conferences and roadshows
- **April** 2021 first quarter results
- **May** AGM and investor conferences
- **June** Investor conferences
- **August** 2021 half year results, investor conferences and roadshows
- **September** Investor conferences and roadshows
- **October** Innovation and Digitisation Event
- **November** 2021 third quarter results and Stewardship event and investor conferences
- **December** Investor conferences

Engagement with investors continued

Retail shareholders

The Group Company Secretary oversees communication with our retail shareholders.

AGM

The Board's intention was to invite shareholders to attend the 2021 AGM in person, especially as this is seen as an important opportunity for shareholders to engage with the Board in a face-to-face setting. However, due to the continued challenge of the pandemic, including prevailing government guidelines on non-essential travel and public gatherings at the time, the Company's AGM on 12 May 2021 was held as a combined physical and electronic meeting. Shareholders were not permitted physical entry into the AGM venue.

Shareholders were able to attend the AGM electronically via a live web-portal. The meeting format ensured that shareholders could engage with the Board regarding the Company's recent performance and strategic priorities, while also protecting the health and safety of our shareholders, colleagues and other stakeholders. Within this portal, shareholders were able to view a live video feed of the AGM, submit voting instructions and questions in writing or ask them through an audio line.

Questions received from shareholders covered a diverse range of matters, including climate/environmental issues, geopolitical developments, strategy, shareholder engagement and share price. All proposed resolutions were passed, with shareholder support for each ranging from 95.22 per cent to 99.97 per cent.

Shareholder uptake for the AGM was low in comparison to our last purely physical AGM in 2019; however, the Board received positive feedback regarding the web-portal functionality.

+ The results of the voting at the 2021 AGM can be viewed at **sc.com/investors**

+ A summary of responses to questions on key themes was made available on our website to shareholders after the meeting and can be found at **sc.com/agm**

Engagement with clients and suppliers

Clients are central to everything we do in the Group and the Board recognises the importance of promoting productive, sustainable relationships with them. Prior to the pandemic, a large proportion of key customer engagements were built into Board and director visits to the Group's markets. Continued limitations on international travel meant that our usual approach could not be carried out during 2021. Instead, certain Board members engaged with clients virtually to keep abreast of developing client trends, experiences and needs. In addition, updates on clients' insights formed part of deep dives into product segment strategy at Board meetings. Suppliers provide efficient and sustainable goods and services for our business and certain members of the Board also virtually engaged with them during the year. Detail on how the Group more generally engaged with clients and suppliers can be found on pages 51, 52 and 54 of the Strategic report.

Engagement with regulators and governments

The Board, either collectively or individually, engages with relevant authorities both in the UK and across our footprint on a regular basis. During 2021 this took place via a number of virtual forums. Topics varied, including recovery from the pandemic, international trade, climate-related matters, cyber security and digital and technological developments.

Certain regulators attended Board meetings during the year, which provided the opportunity to discuss key items and developments. Further detail on how the Group engaged with regulators and governments more generally can be found on pages 52 and 53 of the Strategic report.

Engagement with society

The Board receives regular updates from management concerning the communities and environment in which we operate. This year the Board reviewed, discussed, and approved the Group's pathway to net zero. As part of this decision the Board took into account the potential impact of the pathway on civil society, including those from non-governmental organisations, as well as other stakeholder groups. Further detail can be found regarding the Board's principal decision on page 66 of the Strategic report.

Due to continued travel restrictions in place throughout most of 2021, the Board was unable to visit many of the Group's markets. As such, external and internal speakers provided input to the Board's discussion throughout the year, which covered some key societal issues such as climate-related matters, the evolving geopolitical landscape in certain markets, and the impact of the pandemic on the health and wellbeing of the communities in which the Group operates.

Engagement with employees

The Board values the opportunity to engage with our workforce. It is acutely aware of the importance of possessing a comprehensive understanding of issues that are important to colleagues in each market, learning more about the on-the-ground realities of working at Standard Chartered, hearing about what is working well and understanding the challenges that need to be addressed.

The Board also recognises the role it has in upholding a genuine and transparent two-way dialogue with the workforce. As it is distinct to the role of management, and composed of diverse members with individual voices, it is uniquely placed to oversee, guide, support and, where necessary, challenge the Management Team in implementing the Bank's strategy. This distinction was a key point communicated by Board members to colleagues as part of engagement throughout 2021.

Similar to last year, the Board continued to adopt an alternative approach to the workforce engagement methods set out in the UK Corporate Governance Code. The primary reason for taking a different approach was that, as a global organisation with more than 88,000 colleagues across 59 diverse markets, it is vital that any Board engagement should gather unfiltered feedback which is representative of the whole workforce in order to be truly effective.

The Board took every opportunity to engage with employees, either collectively or individually during the year, in order to gain a true understanding of their views, ideas and concerns. As with other forms of stakeholder interaction this year and last year, traditional forms of employee engagement were adapted in light of the pandemic.

The events were facilitated through a videoconference with a live Q&A session accessed via a web-based platform. Six sessions covering the below geographical regions were hosted by the Group Chairman, who was joined by a combination of INEDs. The composition of the INEDs who attended was carefully considered in order to ensure a good balance of skills, experience, knowledge and perspectives for each geographical group, promoting insightful and tailored engagement.

Review of employee engagement

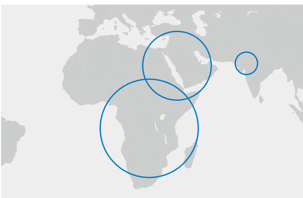
Changes to the framework of formal Board engagement with colleagues was enhanced during the year, based on Board and employee feedback and experience in 2020. These changes included using video technology (rather than audio-only) so that colleagues could see Board members, using a moderator outside of management to help ensure the questions were asked in an authentic and unfiltered way, and breaking up four regions into six more granular geographical groups to enable closer discussion of local topics.

The Board was encouraged by the level of interest employees had shown in engaging directly with Board members and remains committed to evolving and refining this form of engagement to ensure they remain genuine, authentic interactions.

Further detail regarding employee engagement this year can be found within the Culture and Sustainability Committee report starting on **page 131**

Board engagement sessions with employees

Africa and Middle East



Africa cluster

30 November 2021

Angola, Botswana, Cameroon, Côte d'Ivoire, The Gambia, Ghana, Kenya, Mauritius, Nigeria, Sierra Leone, South Africa, Tanzania, Uganda, Zambia, Zimbabwe

Participating Board members: José Viñals, Maria Ramos and David Conner

MENAP markets

23 November 2021

Middle East, North Africa and Pakistan

Participating Board members: José Viñals, Maria Ramos and Byron Grote

Europe and the Americas

EA markets

15 July 2021

Europe and the Americas

Participating Board members: José Viñals, Phil Rivett and Gay Huey Evans

Asia

India and South Asia

24 November 2021

India, Bangladesh, Nepal, Sri Lanka

Participating Board members: José Viñals, Christine Hodgson and Naguib Kheraj

Asia cluster

12 July 2021

Australia, Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam

Participating Board members: José Viñals, Jasmine Whitbread and Naguib Kheraj

GCNA markets

28 September 2021

China, Hong Kong, Japan, Korea, Macau, Taiwan

Participating Board members: José Viñals, Carlson Tong and David Tang

Engagement with employees continued

Key themes covered by employees and Board members during engagement sessions

Employees were asked during the sessions which areas they would like to see the Board have greater impact. The top responses received included keeping strategy relevant, protecting and encouraging stakeholder interests, championing diversity and inclusion, promoting a culture of greater empowerment and accountability, simplifying processes, balancing costs against business performance, and further investment in the Africa and Middle East region.

As parts of the world begin to emerge from the pandemic, colleagues were asked what had changed for the better at Standard Chartered, and whether they had any concerns.

The benefits of 'going digital' was a common theme, with colleagues pleased with the accessibility to collaborate virtually across our diverse markets, as well as a greater acceptance of flexible working. In contrast to this, concerns were raised by colleagues regarding work-life balance, as well as the transparency and cohesion of certain initiatives between different departments in the Group.

The Q&A element of the sessions provided the Board with deep insight into employee views, concerns and interests. As in previous years, colleagues were encouraged to ask the Board anything, and the dialogue covered a diverse range of topics, some of which are illustrated below.

Asia

India and South Asia

- Strategic outlook for local markets
- Transformation projects

Asia cluster

- New ways of working
- Group and country relationships

GCNA

- Digital banking and private banking strategy
- Investment in the support functions and local markets

Collective themes (raised by more than one region)

- Impact of COVID-19
- Sustainability and net zero strategy
- Diversity and inclusion
- Strategy
- Share price
- Geopolitical developments
- Talent strategy, remuneration and career development
- Work-life balance
- Digitalisation trends and initiatives
- Sponsorship investment and opportunities
- The Stands

Africa and Middle East

Africa cluster

- Lessons learnt from market peers
- Technological investment in smaller markets

MENAP

- Investment in local markets
- Return on tangible equity targets

Europe and Americas

- Business re-structuring
- Relationship with regulators

Engagement and linkages with the Group's subsidiaries

The Board and its committees recognise the importance of creating, maintaining and building upon appropriate linkages with the Group's subsidiaries. Similar to 2020, the Board's ability to physically meet with people from across the Group's footprint remained limited. Despite this, the Group Chairman and INEDs engaged with the Group's subsidiaries through a number of forums. This included chair and committee chair engagement sessions, as well as other forms of interaction.

The Group Chairman hosted three subsidiary chair engagement sessions during 2021, all held virtually. Each event opened with remarks from the Group Chairman, followed by a Q&A session, with Bill Winters joining one of the sessions. The Group Chairman was encouraged by the high level of interaction and sharing of best practices by our subsidiary chairs. Items discussed across the three sessions included:

- Group performance and strategy
- sustainability and the Group's net zero pathway
- Resolution Framework
- areas of focus for the Group's boards
- Board effectiveness
- governance best practice.

The Audit Committee held its annual conference call during the year, which was hosted by the Audit Committee Chair and attended by the chairs of subsidiary audit committees. The Group Chairman; Group Head, Central Finance; Group Financial Controller; Group Head of Internal Audit; Global Head, Audit, Quality Assurance; Group Head, Conduct, Financial Crime and Compliance; members of the Group's statutory auditor, EY, including the lead audit partner; and the Group Company Secretary also participated in the call. Items discussed during the call included:

- Group Finance update, which featured IFRS 9 models and overlays, as well as a status report on the Group's Aspire Programme
- conduct, financial crime and compliance developments
- Group Internal Audit reporting to subsidiary audit committees
- Quality Assurance review of subsidiary audit committees
- Group statutory audit update from EY.

In conjunction with the Chair of the Board Financial Crime Risk Committee, the Board Risk Committee Chair hosted its annual conference call with chairs of the subsidiary board risk committees. The Group Chairman; Group Chief Risk Officer; Group Head, Conduct, Financial Crime and Compliance; Global Head of Financial Crime and Compliance; and the Group Company Secretary also participated in the call. Items discussed during the call included:

- 2021 Board Risk Committee and Board Financial Crime Risk Committee focus areas
- Group Chief Risk Officer's 2021 priorities
- financial crime compliance 2021 priorities.

The Remuneration Committee Chair held a conference call attended by the subsidiary remuneration committee chairs and the chairs of subsidiary boards that have remuneration responsibilities. The Group Chairman; members of the Remuneration Committee; the Global Head, Performance, Reward & Employee Relations; Head, Executive Compensation and Reward Governance; regional heads of Performance, Reward & Benefits; and the Group Company Secretary also participated in the call. These annual calls are important as remuneration governance continues to be under the spotlight as the regulatory landscape evolves across our markets. The calls also foster knowledge sharing and best practice between the PLC Remuneration Committee and the subsidiary remuneration committees and raise awareness as remuneration committees are increasingly expected to have oversight over the approach to remuneration for the wider workforce. The topics that were discussed included:

- 2021 Remuneration Committee focus areas
- 2021 to 2022 Performance, Reward and Benefits priorities
- continuing to monitor the long-term impact of the pandemic
- renewing the directors' remuneration policy, which will be subject to a shareholder vote at the AGM in May 2022
- the impact of regulatory changes on remuneration
- our refreshed approach to performance management
- ensuring progress with ongoing performance and reward initiatives (for example embedding of the Fair Pay Charter, Wellbeing, Benefits Transformation).

Other activities which took place during 2021 to further strengthen the linkages across the Group included:

- the Group Chairman attended a number of subsidiary board meetings including banking subsidiaries in Hong Kong, Singapore, Pakistan, Kenya and Malaysia
- the Group Chairman attended the East Africa Cluster Board Forum and the Southern Africa Cluster Board Forum
- the Chairs of the Group Audit Committee and the Board Risk Committee attended some of the subsidiary audit and risk committee meetings and some of the subsidiary audit and risk committee Chairs attended a meeting of the respective Group Committee.

Further detail regarding how the Group engages with its stakeholders can be found on **pages 50 to 77**

Audit Committee

"As was the case in 2020, the impacts of COVID-19 have remained of significant focus for the Committee"

Committee composition

	Scheduled meetings
P G Rivett (Chair)	8/8
D P Conner	8/8
B E Grote	8/8
C M Hodgson, CBE	8/8
N Kheraj*	4/4
M Ramos	8/8
C Tong	8/8

* Naguib Kheraj stepped down from the Committee on 5 July 2021

Other attendees at Committee meetings in 2021 included: the Group Chairman; Group Chief Executive; Group Chief Financial Officer; Group Chief Risk Officer; Group General Counsel; Group Head of Internal Audit; Group Head of Conduct, Financial Crime & Compliance; Group Head, Central Finance; representatives from Group Finance; Group Statutory Auditor; and Group Company Secretary.

As part of her ongoing engagement plan in 2021, Jasmine Whitbread attended one Committee meeting as an observer.

As part of, and in addition to most scheduled Committee meetings, the Committee held private members-only meetings.

The Committee members have detailed and relevant experience and bring an independent mindset to their role. The Board is satisfied that Phil Rivett has recent and relevant financial experience and that the other Committee members also have a depth of experience having managed complex balance sheets or having knowledge of financial reporting in international business.

Biographical details of the committee members can be viewed on **pages 91 to 94**

Main responsibilities of the Committee

The Committee is responsible for oversight and advice to the Board on matters relating to financial reporting. The Committee's role is to review, on behalf of the Board, the Group's internal controls and internal financial controls. The Committee has exercised oversight of the work undertaken by Conduct, Financial Crime & Compliance (CFCC), Group Internal Audit (GIA) and the Group's Statutory Auditor, EY. The Committee reports to the Board on its key areas of focus following each Committee meeting.

The Committee has written terms of reference that can be viewed at **sc.com/termsofreference**

I am pleased to present the Audit Committee's report for the year ended 31 December 2021.

In addition to the disclosure requirements relating to audit committees under the UK Corporate Governance Code 2018, the following report sets out the areas of significant focus for the Committee and its activities over the course of the year. The report also covers the review undertaken on the effectiveness of the Group's Statutory Auditor, EY, and ongoing oversight of the effectiveness of the GIA function. Assurance has been sought and received by the Committee concerning the resourcing of Group Finance, GIA and CFCC.

Maria Ramos joined the Committee on 1 January 2021 and Naguib Kheraj stepped down from the Committee on 5 July 2021. I would like to convey the Committee's gratitude to Naguib for his considerable contribution as both a member and Chair over many years.

As was the case in 2020, the impacts of COVID-19 have remained of significant focus for the Committee. This has comprised reviewing and challenging credit impairment provisions, including overlays to deal with the impact of COVID-19, key accounting issues and significant accounting estimates and judgements made by management, to ensure they are sufficient, appropriate and that the Group's public disclosures in regard to this are transparent. The Committee reviewed and considered judgemental post model adjustments (PMAs) and management overlays in both the wholesale and retail portfolios on a quarterly basis, required in order to estimate expected credit loss (ECL), intended to take into account the impacts of COVID-19. Focus has also been placed on accounting treatment and value in use (VIU) of the Group's equity accounted investment in China Bohai Bank.

Cognisant of the ever-increasing importance of data, the Committee has kept a close watch on the Group's approach to data management, the challenges in place and action plans to address these. Towards the end of 2021, the Committee held a deep dive discussion into data management. The Committee recognised the pace of regulatory change pertaining to this and probed into how the businesses and functions are prioritising their data management action plans and the governance in place to manage this. Data management will remain an area of focus for the Committee and the Board in 2022 and beyond.

In mid-2021, with the renaming of the Brand, Values and Conduct Committee to the Culture and Sustainability Committee (CSC), Conduct Risk was transferred to this Committee. Cognisant of the overarching nature of this risk, the Committee discussed the progress made during 2021 to bring together the new Conduct Risk management approach, areas of emerging risk and the roadmap for 2022. The Financial Conduct Authority's (FCA) consultation on a new Consumer Duty was discussed and this will feature in the Committee's deliberations in 2022.

Following on from 2020, the Committee has been receiving regular updates from management and EY on the work under way to improve the Group's Information Technology (IT) access controls and remediate weaknesses identified during prior year audits. The Committee has been monitoring the progress being made on this, given its importance in protecting the Group's systems security. This will be a continued priority for 2022.

This is EY's second year as the Group's Statutory Auditor and it has been useful to have input from regional and specialist partners on the Committee's agenda. By way of example, discussions on regional/country overviews, the Group's IT access controls and tax have all benefitted from EY partner input. EY continues to provide fresh perspective, independent challenge and subject matter expertise to the Committee's deliberations.

The Committee has exercised its authority delegated by the Board for ensuring the integrity of the Group's published financial information by discussing and challenging the judgements and disclosures made by management, and the assumptions and estimates on which they are based. The Committee has exercised judgement in deciding which of the issues it considered to be significant in the financial statements, and this report sets out the material matters that it has considered in these deliberations. Management reporting to the Committee from across the business, functions and the Group's network has provided the opportunity for the Committee to challenge, probe, discuss and seek assurance from management, enabling the Committee to provide an independent perspective.

As a result of the Committee's work in 2021, assurance has been provided to the Board on the quality and appropriateness of the Group's financial reporting, in particular taking account of COVID-19 impacts, and on internal audit, compliance and regulatory matters, to continue to safeguard the interests of the Group's broader stakeholders.

The following pages provide insight and context into the Committee's work and activities during the year.

Phil Rivett
Chair of the Audit Committee

Activities during the year

Financial reporting

- Satisfied itself that the Group's accounting policies and practices are appropriate
- Reviewed the clarity and completeness of the disclosures made within the published financial statements
- Considered any changes in disclosures arising from best practice in applying the UK Finance Code for Financial Reporting Disclosure, recommendations from the Taskforce on Disclosures on Expected Credit Losses (DECL), high-quality practices with regard to implementation of ECL suggested by the Prudential Regulation Authority (PRA) and Financial Reporting Council (FRC) publications on aspects of UK reporting and disclosure requirements from the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) with regard to sustainability
- Monitored the integrity of the Group's published financial statements and formal announcements relating to the Group's financial performance, reviewing the significant financial judgements and accounting issues

Significant accounting judgements considered during 2021 are shown below.

The Committee can confirm that the key judgements and significant issues reported are consistent with the disclosures of key estimation uncertainties and critical judgements as set out in Note 1 starting on page 316.

Key area	Action taken
Impairment of loans and advances	Reviewed and challenged, on a quarterly basis, reports detailing the composition and credit quality of the loan book, concentrations of risk and provisioning levels. Reviewed and considered judgemental PMAs and management overlays in both the wholesale and retail portfolios on a quarterly basis that were required to estimate ECL. In the case of PMAs, some models' performance breached monitoring standards or validation standards necessitating adjustments. In the case of management overlays mainly to deal with the impact of COVID-19, the amount of loans placed on non-purely precautionary early alert remains elevated compared with the pre-COVID-19 period and the economic dislocation observed in 2020 and 2021 has not yet been fully observed in customers' financial performance, in part due to ongoing government support measures across the Group's markets. The Committee challenged the completeness of these overlays and the overlays relating to uncertainties in the China commercial real estate sector. The Committee also reviewed and considered when such management overlays would be released. Reviewed the appropriateness of management's economic forecasts and the adjustments to provisions to incorporate the effect of multiple economic scenarios. The Committee was briefed on the performance of the International Financial Reporting Standard (IFRS) 9 models and the remediation plans in place to address material non-performance issues, where these had been identified. The Committee considered the appropriateness of the staging of higher-risk loans, as well as the expectation of elevated losses in industries and locations that have been particularly affected by COVID-19. In respect of high-risk credit grade exposures, the Committee was also briefed on business plans, including remedial actions and management assessment of the recoveries and collateral available.
Impairment of aircraft	Reviewed and challenged, on a quarterly basis, management's assessments of impairment losses on aircraft operating lease assets, including the assumptions used to determine asset VIU and market valuations. In particular, the Committee challenged management's assessments and the detailed sensitivity analysis to ensure that the implications of COVID-19 had been fully considered, as the aircraft industry was particularly affected by COVID-19 travel restrictions and lockdowns. The Committee reviewed detailed sensitivity analysis on the factors that would impact the VIU assessments including residual values, remarketing periods after lease terminations, reductions in market rental rates and discount rates while assessing the impairment calculations for the aircraft. The Committee also focused its review on lease payment deferrals granted to lessees as a result of COVID-19 to assess any potential impact on the VIU assessments for the related aircraft and monitored progress on repayments of the deferrals and any extensions.
Goodwill impairment	Reviewed management's annual assessment of goodwill impairment, covering key assumptions (including forecasts, discount rate and significant changes from the previous year), headroom availability and sensitivities to possible changes in key assumptions.

Activities during the year continued

Carrying value of investments in associates	Reviewed and considered management's carrying value assessments on the Group's investment in China Bohai Bank, covering key assumptions and potential sensitivity to changes. The Committee considered the limited public information available on China Bohai Bank, upon which to base a VIU assessment, and the impact of China Bohai Bank's exposures to China commercial real estate in the sensitivity analysis with regard to the VIU assessment. The Committee also reviewed management's assessment that the Group maintained significant influence and satisfied itself that it remained appropriate to continue to equity account for the investment.
Recoverability of parent company's investment in subsidiaries	Discussed and received confirmation from management that it had adequately assessed the recoverability of investments in subsidiaries, together with any intercompany indebtedness.
IT – user access management	Received an update from management and EY where new and existing IT observations had been identified relating to user access management supporting in-scope applications including privileged access, user access review and other user access management controls. The Committee discussed how management and EY are working to assess this matter and sought and received assurance this matter is receiving senior management attention.
Valuation of financial instruments held at fair value	Received reports and updates at each reporting period detailing the key processes undertaken to produce and validate valuations of financial instruments, including any changes in methodology from prior years and significant valuation judgements. The Committee received regular updates on the level of unsold positions in the syndications portfolio and the valuation of these positions and plans for sell down. The Committee also reviewed credit valuation adjustments, debit valuation adjustments, funding valuation adjustments and own credit adjustments and considered the explanation and rationale for any significant movements.

Other areas of focus:

Classification of assets as held for sale	Reviewed management's assessment of whether assets or disposal groups should be reclassified as held for sale. This included reviewing the facts and circumstances for the proposed sale of shipping assets and the remaining Principal Finance investments.
Restructuring costs	Reviewed and considered, on a quarterly basis, income statement charges and credits classified as restructuring.
Hedge accounting	Reviewed the ineffectiveness reported in operating income from hedge accounting and significant hedge terminations and the reasons for this.
Taxation	Reviewed and considered management's judgements and assumptions with respect to tax exposure risks, including uncertain tax positions, and ensured adequate disclosure in the financial statements has been made. This included understanding the Group's effective tax rate, the quantum and basis of recognition of deferred tax assets, and the UK bank levy charge for the year.
Provisions for legal and regulatory matters	Considered advice presented on the current status of significant legal and regulatory matters, and considered management's judgements on the level of provisions and the adequacy of disclosure, as set out in Note 26 on page 390.

Going concern assessment and viability statement

- Reviewed management's process, assessment and conclusions with respect to the Group's going concern assessment and viability statement, including the forward-looking Corporate Plan cashflows, principal and emerging risks, liquidity and capital positions, and key assumptions. The Committee also ensured that the going concern assessment and viability statement is consistent with the Group's Strategic report and other risk disclosures

Further details can be found on **pages 318, 86 and 87.**

Fair, balanced and understandable

- The Committee considered, satisfied itself and recommended to the Board, that the processes and procedures in place ensure that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, and the business risks it faces. The statement is underpinned by the Committee's, and the Board's, belief that all important elements have been disclosed; and that the descriptions of the Group's business as set out in the Strategic report are consistent with those used for financial reporting in the Group's financial statements

Activities during the year continued

Examples of deeper discussions into specific topics

- **EY regional partner overviews:** Received overviews and topical updates from EY's local regional partners from Malaysia, Germany and the UAE. These regional overviews provided insight into the challenges faced in the Group's markets from a statutory audit perspective; and provided the Committee with the local audit partner's assessment of the Group's control systems in these markets, the quality of the Group's management from a control perspective and a benchmark of the Group's control environment against local and international peers. The overviews also provided insight into local regulatory developments, the Group's standing and engagement with local regulators and areas of focus for 2021. These EY regional partner overviews will continue in 2022 and beyond
- **Financial regulatory reporting:** Received and discussed updates on the Group's financial regulatory reporting remediation programme. Discussion focused on the challenges involved with resourcing, given the specialist skills required and financial/liquidity reporting in the Group's network
- **Aspire programme:** Discussed a paper which set out an update on the Group's Aspire programme (a programme launched in 2018 to deliver a modern technology systems and data landscape). Discussion focused on resources, timelines and the impact that COVID-19 was having on delivery of the programme
- **Information technology access controls:** Received and discussed reports on the work under way to improve the Group's IT access controls and remediate weaknesses identified during prior year audits. The Committee discussed how management is working to remediate the observations raised by EY and sought assurance that this matter is receiving senior management attention. EY's Technology Risk Partner was invited to join these discussions. This will continue to be an area of focus for 2022
- **Internal financial controls:** Received and discussed a paper setting out the approach taken to safeguard the production of the Group's financial books and records
- **Department for Business, Energy & Industrial Strategy (BEIS) consultation paper:** At the Committee's request, received and discussed a paper setting out the proposals and recommendations from the BEIS consultation paper entitled: 'Restoring Trust in Audit and Corporate Governance'. Discussion focused on the recommendations in their current form that might be challenging for the Group to implement and also the approach the Group would take during the consultation period. A sub-committee was formed to finalise oversight of the Group's written response to the BEIS consultation paper
- **Data management:** Received and discussed papers on the Group's Data Management Framework, following on from discussions held in 2020. The H1 2021 discussion focused on the resource, timeline, risks and budget allocated to this. The H2 2021 discussion focused on the forward-looking timelines, how the businesses and functions are embedding their data management action plans and the governance in place to monitor and manage this embedding
- **Conduct:** With the transfer of oversight of Conduct Risk from the CSC to the Committee, received and discussed a paper setting out the progress made on the implementation of a new Conduct Risk management approach, key themes across the first line of defence Conduct agenda, areas of emerging risk, external developments and the roadmap for 2022. A briefing was received on the FCA's new Consumer Duty consultation and emerging global developments regarding surveillance and transaction reporting
- **Tax update:** Received and discussed a paper setting out improvements that had been made to the Group's tax reporting, which included detail on transfer pricing. EY's Tax Partner was invited to join this discussion to add perspective
- **IFRS 9 models:** Received and discussed updates on the Group's use of IFRS 9 ECL models. In May 2021, discussion focused on non-performing models and the remediation work under way to rectify the performance issues. It was acknowledged that the impact of COVID-19 would likely challenge the credit behaviours built into the Group's models, resulting in more of the existing models falling into the non-performing category. In December 2021, the Committee noted the significant progress being made with regard to the remediation of non-performing models
- **Major disputes and significant non-financial crime compliance-related regulatory government investigations:** Received and discussed two updates on major disputes and significant non-Financial Crime Compliance-related regulatory government investigations facing the Group
- **MiFID II Implementation and Significant Transaction Reporting Obligations (STORs):** Received a paper on the Group's compliance with all obligations within MiFID II and the Group's STORs, their current risk profile and remediation plans
- **Finance resourcing:** Reviewed and discussed a paper providing assurance that: the Accounting and Financial Reporting function is adequately and appropriately resourced; the qualifications, experience and training of colleagues is appropriate; and the budget allocated is sufficient to maintain external reporting obligations
- **2020 Audit Quality Assurance Review (AQR) Inspection Report:** Reviewed and discussed the AQR Inspection Report issued in May 2021 for KPMG's audit of the Group's financial statements for the year-ended 31 December 2019. Ahead of this, the Committee Chair held discussions with the FRC and KPMG on the key findings, which were also shared with the Committee
- **FRC's observations on the Group's 2020 Annual Report:** Reviewed and discussed the Group's responses to the FRC's observations on the Group's 2020 Annual Report
- **Volcker compliance report:** Noted the change in Board Committee responsibilities in respect of the Volcker Rule

Activities during the year continued

Group Statutory Auditor, EY

Provided oversight of the work undertaken by EY as the Group's Statutory Auditor. In particular, the Committee:

- reviewed and discussed the risks identified by EY's audit planning, seeking and receiving assurance that these risks have been addressed properly in the audit strategy
- satisfied itself that EY has allocated sufficient and suitably experienced resources to address these risks and reviewed the findings from the audit work undertaken
- sought and received assurance that no undue pressure has been asserted on the level of audit fees, to ensure that there is no risk to audit work being conducted effectively and independently
- conducted an annual performance and effectiveness review of EY. Input was received from Committee members, chairs of subsidiary audit committees, the Group Management Team, regional/country chief financial officers, members of the Group Finance Leadership Team and the GIA Management Team. The results of this input was discussed by the Committee. Overall, it was felt that EY is considered to be effective, objective and independent in its role as the Group's Statutory Auditor. The Committee agreed to propose to the Board that the re-appointment of EY as the Group's Statutory Auditor for a further year be recommended to shareholders at the 2022 AGM. This recommendation was made without any influence from a third party and free from any contractual obligation to do so, including for the avoidance of doubt, any contractual term described in Article 16(6) of the Audit Regulation
- reviewed and discussed EY's audit planning report and any updates, audit results reports and interim reviews
- received and discussed a paper setting out EY's control themes and observations from the 31 December 2020 year-end audit. EY's Technology Risk Partner was invited to join this discussion
- reviewed and discussed EY's 2021 approach to the private Written Auditor Report to the PRA for the year ended 31 December 2021.

The Committee met privately with EY at the end of certain Committee meetings, without management being present.

Phil Rivett met regularly with the EY partners leading the Group's audit during the course of the year.

The Company complies with the Statutory Audit services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Process and Audit Committee responsibilities) Order 2014. EY has been the Group's Statutory Auditor for two years. In accordance with the Audit Practices Board's requirements, the lead audit engagement partner has held the role for two years. The lead engagement partner, David Canning-Jones, has a background of auditing banks and understands the markets in which the Group operates.

Following the 2017 audit tender, EY was re-appointed as the Group's Statutory Auditor for the financial year ending 31 December 2021.

Non-audit services

- Responsible for setting, reviewing and monitoring the appropriateness of the provision of non-audit services, applying the Group's policy on the award of non-audit services to the External Auditor, while taking into account the relevant ethical guidance
- In 2021, the Group spent $3.9 million on non-audit services provided by EY and $5.3 million on audit-related services such as quarterly and half year reviews and regulatory reporting

Further details on non-audit services provided by EY can be found in Note 38 on **page 417** and the Group's approach to non-audit services on **page 190**

Internal controls

- Discussed reports from GIA that provide GIA's view on the system of internal controls across all risk types, business and country functions, including summary highlights of the most significant matters identified by GIA and areas of thematic interest that have arisen as part of the audits and warrant the Committee's attention. On a quarterly basis, GIA reports on any overdue remediation of findings. The Board Risk Committee, the Board Financial Crime Risk Committee and the CSC discussed separate reports from the Group Head of Internal Audit on GIA's appraisal of controls across key risks, subject to each Committee's oversight. Collectively, the reports received by these Committees provided assurance that there are effective internal controls within the Group.
- Throughout the year, the Committee continued to probe that the Group's internal controls infrastructure was not being adversely impacted by working from home (WFH) arrangements.

Further details on internal controls can be found on **page 185**

Activities during the year continued

Group Internal Audit

In 2021, GIA moved back to a more business as usual approach, utilising a 6 + 6 months Audit Plan with a detailed review and refresh at six months to ensure the 2021 Audit Plan remained relevant and focused on the Group's changing risk profile. In Group markets where COVID-19 impacts were felt more heavily during the year, such as the Delta variant impact on India from May 2021, GIA focused, as required, on the revised approach that had been adopted during 2020, utilising short, sharp reviews to provide timely opinions on the Group, incorporating agile principles into ways of working. The Committee was updated with these required changes in a timely manner. This enabled the Committee to be provided with assurance that the Group's response to and operations during COVID-19 remained appropriate for our shareholders, customers and colleagues and aligned to the Group's Here for good brand promise. The Committee sought and received assurance from management that this agile approach was adding value to the business, continued to focus on the effectiveness of controls and processes, and factored in emerging risks.

The Committee also monitored, on an ongoing basis, that travel restrictions and WFH arrangements were not impacting the quality or integrity of audit work or the internal controls infrastructure of the Group.

In 2019, an external assessor, Grant Thornton (selected by the Committee from a competitive request for proposal process), conducted an external quality assurance review on the GIA function, which assessed the requirements of GIA against key professional and regulatory bodies governing the practice of internal audit. While it was recognised that GIA "generally conforms" to the requirements of these standards, some recommendations were made. During the course of 2020, the Committee received updates on progress against these recommendations and in 2021 it noted that all actions were closed with no further additional work required.

In 2021, for the most significant matters identified by GIA, business and/or regional management were invited to attend Committee meetings to provide updates on the steps being taken to enhance the control environment and address internal audit findings.

The Committee:

- reviewed the adequacy of resourcing and proposed work plans for GIA and is satisfied that these are appropriate in light of proposed areas of focus, expertise and skills that are required
- assessed the role and effectiveness of the GIA function, and reviewed and monitored GIA's progress against the 2021 Audit Plan and the review and monitoring of post-audit actions. Changes to the Audit Plan, in particular COVID-19-related changes, and people changes, were also discussed by the Committee
- reviewed and approved GIA's 2022 Audit Plan and budget
- reviewed and approved the refreshed GIA Charter
- received and discussed reports from the Global Head, Audit Quality Assurance (QA) on the QA function's view of the control environment in GIA
- scrutinised any long overdue GIA issues and requested management to develop risk reduction plans for items with long closure periods to be monitored by GIA.

The Committee is satisfied with the independence of the GIA function.

Over the course of the year, Phil Rivett met regularly with the Group Head of Internal Audit and the GIA Management Team. Phil Rivett will engage with the incoming Group Head of Internal Audit, due to take up the role as Group Head of Internal Audit with effect from 1 April 2022.

Group compliance

Regular compliance reporting to the Committee sets out the work carried out by the CFCC function, significant compliance and regulatory risks and issues facing the Group, and key actions being taken to address and mitigate these matters.

In 2021, the Committee was updated on and discussed:

- key supervisory areas of focus, regulatory updates and forward-looking themes, the status of the Group's core college regulatory relationships and enforcement matters
- the importance of continuing to strengthen the Group's risk culture
- the function's operating model, including an overview of the CFCC budget and organisational changes to simplify the function. In conjunction with the Board Financial Crime Risk Committee, the Committee has discussed the Group's Risk and CFCC Productivity Programme, and the Financial Crime Surveillance Operations (FCSO) Transformation
- conduct, with a focus on WFH arrangements and the risk and control environment in place in response to COVID-19
- updates from CFCC Assurance.

The Committee reviewed a paper on compliance resourcing and confirmation was received from management that the function is adequately resourced and that a close watch was being kept on this, given the buoyant external hiring market in some of the Group's territories.

The Committee also reviewed the 2022 Compliance Plan, budget and priorities.

Phil Rivett met regularly throughout the year with the Group Head, CFCC.

The Board Financial Crime Risk Committee received reports on financial crime compliance-related matters.

Activities during the year continued

Speaking Up	Speaking Up is the Group's confidential and anonymous whistleblowing programme (the Programme). The Programme has been designed to comply with the Group's UK lead regulators', the PRA and the FCA, Whistleblowing Rules. Our whistleblowing channels are available to anyone – colleagues, contractors, suppliers and members of the public – to raise concerns confidentially and anonymously. The Committee reviewed and discussed an annual report on the operation and effectiveness of the Programme which was subsequently tabled to the Board. The report provided the Committee with assurance of the Group's ongoing compliance with the Whistleblowing Rules. The Committee discussed the linkages between Speaking Up and data within the Group's My Voice (employee engagement survey) results and the focus areas for 2022. In 2021, the Committee Chair received updates on Speak Up issues and incidents as necessary. Further details on Speaking Up can be found on **page 72**
Interaction with regulators	Typically, the Committee meets with the PRA on an annual basis, without members of management being present. The purpose of such meetings is to enable a discussion between the Committee and the PRA concerning areas of focus for both the Committee and the PRA. This meeting did not occur in 2021 due to COVID-19 restrictions; however, it is anticipated that this will resume once things return to normality. Phil Rivett attended trilateral meetings with EY and the PRA over the course of the year and also met with the PRA in his capacity as Audit Committee Chair.
Linkages with subsidiary audit committees	There are strong linkages and interactions in place between the Committee, regional hub audit committees and banking subsidiary audit committees. In 2021, Phil Rivett attended a Standard Chartered Bank (Hong Kong) Limited (SCB Hong Kong) audit committee meeting and a Standard Chartered Bank (Singapore) Limited (SCB Singapore) audit committee meeting. The audit committee chair of SCB Hong Kong and SCB Singapore respectively attended one Standard Chartered PLC Audit Committee meeting. This practice will continue in 2022 to reinforce these important linkages. Phil Rivett hosted an annual video-conference call with the chairs of subsidiary audit committees and INEDs in March 2021. Details of this call can be found on **page 115**

Committee effectiveness review

During 2021, an internal Board and Board Committee effectiveness review was facilitated by the Group Company Secretary.

Key observations from the 2021 internal effectiveness review

The feedback on the Committee's functioning and effectiveness was positive and it specifically highlighted:

- The Committee has maintained a high standard of work, and the Committee Chair is well prepared and effective in ensuring open discussions
- In terms of composition, it was felt that there is a good balance of banking, accounting and control skills
- The contributions of EY, as the Group's Statutory Auditor, were well rated
- Suggestions were provided on potential topics for training sessions

2022 Action Plan

The 2022 Action Plan for the Committee reflects suggestions from the evaluation and continues to build on the solid progress made last year:

- Consider including an annual Committee strategy session to review specific issues or forthcoming changes
- Consider a dedicated session on internal controls and additional expectations for the Committee arising from the BEIS consultation
- Consider scheduling additional training on audit aspects relating to Climate, Net Zero and Data Risk

Board Risk Committee

"The Committee was again very active this year and engaged across a wide range of risk management issues"

Committee composition

	Scheduled meetings	Ad hoc
N Kheraj (Chair)	**8/8**	2/2
D P Conner	**8/8**	2/2
G Huey Evans, CBE	**8/8**	1/2*
M Ramos	**8/8**	2/2
P G Rivett	**8/8**	2/2
D Tang	**8/8**	2/2
C Tong	**8/8**	2/2

* Gay Huey Evans was unable to attend one ad hoc meeting due to a prior business commitment

Other attendees at Committee meetings in 2021 included: the Group Chairman; Group Chief Executive; Group Chief Financial Officer; Group Chief Risk Officer; Group General Counsel; Treasurer; Group Head, Conduct, Financial Crime & Compliance; Group Head of Internal Audit; the Group's Statutory Auditor and Group Company Secretary.

As part of their ongoing engagement plans in 2021, Byron Grote attended one Committee meeting, Christine Hodgson attended discussions on specific topics and Jasmine Whitbread attended two Committee meetings and discussions on Resolvability.

Sir Iain Lobban, Cyber Adviser to the Board, regularly attends discussions on Information and Cyber Security (ICS) Risk and technology.

EY attended all Committee meetings in 2021.

As part of, and in addition to, some scheduled Committee meetings, the Committee held private members-only meetings.

The Committee's membership comprises INEDs who have a deep and broad experience of banking and the risk factors affecting the Group.

Biographical details of the Committee members can be viewed on **pages 91 to 94**

Main responsibilities of the Committee

The Committee is responsible for exercising oversight, on behalf of the Board, of the key risks of the Group. It reviews the Group's Risk Appetite Statement and Enterprise Risk Management Framework (ERMF) and makes recommendations to the Board. Its responsibilities also include reviewing the appropriateness and effectiveness of the Group's risk management systems, considering the implications of material regulatory change proposals, reviewing reports on principal risks, including Climate Risk, to the Group's business, and ensuring effective due diligence on material acquisitions and disposals.

The Committee reports to the Board on its key areas of focus following each Committee meeting.

The Committee has written Terms of Reference that can be viewed at **sc.com/termsofreference**

I am pleased to present the Board Risk Committee's report for the year ended 31 December 2021.

The Committee was again very active this year and engaged across a wide range of risk management issues. From a regulatory perspective, the Committee has held a number of discussions on important topics. These included the Bank of England's (BoE) Resolvability Assessment Framework, the Climate Biennial Exploratory Scenario (CBES) stress test, operational resilience including Important Business Services and Impact Tolerance Statements, the BoE Solvency stress test and the Interbank Offered Rate (IBOR) transition.

In particular, the Committee invested time and focus to review, discuss, probe and challenge the Group's Resolvability Assessment Report, including the key assumptions made by management, ahead of the Board-approved submission to the BoE in October 2021. Resolvability will remain a key area of focus, scrutiny and discussion for the Committee and the Board throughout 2022.

Similarly, the Committee reviewed, discussed and challenged the CBES submission to the BoE. As a result of this, the Committee requested management to consider how the outcomes from this useful exercise can be leveraged further by the Group and incorporated into existing risk management and stress testing processes, which management has taken onboard. Climate Risk remains an important area of focus for the Committee and the Group more broadly.

ICS remained a key priority in 2021, with continued reporting from management in the first, second and third lines of defence. The ICS Board Risk Appetite metrics have been pivotal this year in enabling the Committee to track the progress being made and delve deeper into areas that require continued focus. ICS remains an ongoing priority for the Committee.

There has been a good level of representation from the businesses and functions at Committee meetings, and also from a regional and country level, which has enabled the Committee to explore how risks are being managed on the ground in this ever-changing environment. In particular, the risks associated with working from home (WFH) have been assessed in a number of different areas, given the impacts of COVID-19 and also the Group's transition to a hybrid working model.

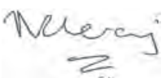
The Committee met virtually throughout 2021, due to COVID-19 restrictions; however, regular meetings and careful review of all agendas and papers have ensured that the Committee has been able to focus on the right areas and maintain engagement in the virtual environment. Outside of Committee meetings, I held regular calls with the Group Chief Risk Officer (GCRO), a wide range of other members of the Risk function, and the senior management of the Group, to ensure that I was kept abreast of key risks and emerging developments as they occurred, which in turn, ensured that Committee members were notified of significant events in a timely manner.

In March 2021, we held a blue sky thinking/horizon scanning session, which considered the potential risks that the Group might be or could become exposed to. This session informed our forward-looking agenda and resulted in the Committee reviewing papers and holding deeper discussions involving key markets such as: China, including the outlook for the Chinese banking sector and challenges faced; operational stability issues and remediation under way in Hong Kong; and Korea, including the Group's mortgage portfolio. All of these discussions focused on the controls in place to manage the key risks and impacts arising from COVID-19. We also covered matters such as Digital Asset Risk, Interest Rate Risk including the Group's structural hedging programme, Exchange Rate Risk and Credit Fraud Risk. We have just held our 2022 blue sky thinking/horizon scanning session, which will assist in prioritising our 2022 agenda.

In 2021, the Committee held informal sessions covering Model Risk and x-valuation adjustment (XVA). These briefing sessions were opened up to all Board members, and provided dedicated time and space to engage on these topics in a more informal setting.

Cognisant of the rapidly evolving external environment, the Committee continues to discuss key macroeconomic and geopolitical risks and challenges faced by the Group, and assess how these are being managed and mitigated by management.

The following pages provide insight and context into the Committee's work and activities during the year.



Naguib Kheraj
Chair of the Board Risk Committee

Activities during the year

Risk Appetite

Reviewed and challenged the formulation of the Group's Risk Appetite Statement, in order to assure that it is effective in setting appropriate boundaries in respect of each Principal Risk Type.

Considered and recommended the Group's Risk Appetite to the Board for approval.

During 2021, the following key proposed changes were made to the Risk Appetite effective in 2022:

- **Board and Group Management Team (MT) Risk Appetite:** In order to increase clarity and focus, it was proposed that the Risk Appetite be split into Board and MT Risk Appetite, in order to streamline the volume of risk metrics considered by the Board and better align to peers. All breaches would continue to be reported to the Committee in line with the current approach, in order that the Committee and Board continue to have visibility of this
- **Integration of new categories of risks:** Consideration was given to specific parameters for Climate, Digital Asset and Third-Party risks , and additional metrics for Technology & Innovation. Discussion is under way on the inclusion of Digital Asset related metrics.

Monitored actual exposures relative to Risk Appetite limits using regular Board Risk Information reports. Tracked a broad range of risk metrics that are reported to the Committee periodically.

The Board Financial Crime Risk Committee reviews the Risk Appetite Statement and metrics for Financial Crime Risk, excluding Fraud Risk.

Further details of the Group's Risk Appetite are set out on **page 260**

Enterprise Risk Management Framework (ERMF)

The ERMF sets out the principles and standards for risk management across the branches and subsidiaries of the Group. The Committee:

- reviewed proposed material changes to the ERMF, arising from the 2021 annual review, and recommended these changes to the Board for approval
- considered the approach and key outcomes of the 2021 annual effectiveness of the ERMF. Affirmation was received from the GCRO that the Group's risk management and internal control framework is materially effective and improvement areas were highlighted for management attention.

Principal Risk Types

The Group's Principal Risk Types are reported on at each scheduled Committee meeting, through a Board Risk Information report, which accompanies the GCRO's report. In addition, the Committee had deeper discussions on the topics set out below.

Principal risks are risks inherent in the Group's strategy and business model. Principal Risk Types are formally defined in the ERMF, which provides a structure for monitoring and controlling these risks through the Board-approved Risk Appetite.

Further details on Principal Risk Types are set out on **pages 44, 261 and 264 to 279**

- **Operational and Technology Risk**

The Group defines Operational and Technology Risk as the potential for loss resulting from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks).

The Committee:

- discussed updates on Technology Risk reduction and the initiatives under way to manage and reduce Technology Risk
- received a paper setting out an analysis of whether the cumulative impact of COVID-19 and the Group's change programmes have the potential to increase the risk of operational errors outside of the Group's Risk Appetite. Discussion focused on the impacts of WFH and controls in place, given the expectations of a hybrid working model
- discussed a paper setting out a status report on Operational and Technology Risk
- discussed a paper setting out how the Group compares to peers with regard to system recovery capabilities
- received updates on the Group's approach to Information Technology (IT) governance and management's plans to strengthen this. As part of the blue sky thinking/horizon scanning session in Q1 2021, emerging technology risks and opportunities were discussed using an external consultant for input
- received and discussed a paper on technology obsolescence.

Principal Risk Types continued

- **Model Risk**

Model Risk is the potential loss that may occur as a consequence of decisions or the risk of mis-estimation that could be principally based on the output of models, due to errors in the development, implementation or use of such models.

The Committee:

- reviewed and discussed the key risks and issues relating to Model Risk management throughout 2021
- attended teach-in sessions on regulatory models and Model Risk to obtain a deeper understanding of the Group's approach to Model Risk management.

- **ICS Risk**

ICS Risk is the risk to the Group's assets, operations and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification or destruction of information assets and/or information systems.

The Committee:

- discussed regular reports from management within the first, second and third lines of defence, on the work under way to strengthen the Group's defences and create stronger control frameworks, focusing on what had gone well and what could have gone better throughout the year. Such reports enabled the Committee to probe that the Group's three lines of defence are aligned in advancing the Group's ICS strategy and key priorities. Senior managers from the business were invited to these discussions to provide on-the-ground perspective and detail on any challenges faced
- discussed regular reports on the Group's Transformation and Remediation Portfolio and ICS Risk profile
- discussed and monitored the progress of key risk reduction initiatives across key control domains
- reviewed and discussed ICS Board Risk Appetite metrics and controls testing, which have been pivotal in enabling the Committee to track the progress being made and delve deeper into areas that require continued focus
- reviewed and discussed an external report on the Group's ICS programme and management's response
- continued to probe the sufficiency of funding and resource to support the Group's ICS programme, cognisant of COVID-19 impacts and other books of work under way in the Group.

Sir Iain Lobban, who is one of the external adviser members of the Board Financial Crime Risk Committee and Cyber Adviser to the Board, joined Committee meetings for these discussions, together with the Group Chief Operating Officer; Group Chief Information Officer; the Group Chief Information Security Officer and Chief Operating Officer, Trust, Data and Resilience; and the Group Chief Information Security Risk Officer. Committee members also regularly attend meetings of the Group's Cyber Security Advisory Forum.

- **Treasury Risk**

Treasury Risk is formed of Capital and Liquidity Risk, and Interest Rate Risk in the banking book.

Capital Risk is the potential for insufficient level, composition or distribution of capital, own funds and eligible liabilities to support the Group's normal activities.

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

Interest Rate Risk in the banking book is the potential for a reduction in earnings or economic value due to movements in interest rates on banking book assets, liabilities and off-balance sheet items.

The Committee receives a Treasurer's report, at each scheduled meeting, which covers market developments, capital, liquidity and funding, recovery and resolution planning, regulatory updates and rating agency updates.

During the year, the Committee considered and discussed the Group's capital and liquidity position and the regulatory environment, including the approval of the Group's Internal Capital Adequacy Assessment Process (ICAAP) submission to the PRA, in order to satisfy itself that the Group's approach to capital planning is comprehensive, rigorous and consistent with both the current regulatory requirements and the likely anticipated outlook.

The Committee also considered and discussed the Group's Internal Liquidity Adequacy Assessment Process (ILAAP) for submission to the PRA, which considers the Group's liquidity position, its framework and whether sufficient liquidity resources are being maintained to meet liabilities as they fall due (see section on stress testing for further details).

Further details on Treasury Risk are set out on **pages 269 and 270**

Activities during the year continued

Principal Risk Types continued

- **Credit Risk**

Credit Risk is the potential for loss due to failure of a counterparty to meet its agreed obligations to pay the Group.

The Committee received and discussed updates on Credit Risk. These discussions were further enhanced through deep dives into various country and business/client segments, details of which are set out in examples of deeper discussions on specific topics.

The Committee specifically focused on the Credit Risk impact of COVID-19.

- **Traded Risk**

Traded Risk is the potential for loss resulting from activities undertaken by the Group in Financial Markets.

The Committee:

- received and discussed a paper setting out the major Traded Risk developments and changes which had occurred in the Financial Markets business over the last year. Focus was placed on the Traded Risk environment and controls in place
- received and discussed a paper setting out the major Traded Risk developments and changes which had occurred in the Treasury Portfolios over the last year. Focus was placed on the decision-making process for realisations
- attended a teach-in session on XVA to obtain a deeper understanding of why XVA is needed and how it impacts Financial Markets trading operations.

Stress testing

The objective of stress testing is to support the Group in assessing that it:

- does not have a portfolio with excessive risk concentration that could produce unacceptably high losses under severe but plausible scenarios
- has sufficient financial resources to withstand severe but plausible scenarios
- has the financial flexibility to respond to extreme but plausible scenarios
- understands the key business model risks and considers what kind of event might crystallise those risks – even if extreme with a low likelihood of occurring – and identifies, as required, actions to mitigate the likelihood or impact as required.

The Committee provided oversight, challenge and, where required, approval for:

- the scenario and stress test results for the 2021 Group ILAAP stress test
- the scenarios and results for the 2021 Group ICAAP stress test and reverse stress test
- the results for the BoE Solvency stress test
- the results for the Group's Recovery Plan stress test
- the Group's Recovery Plan
- the results for the Climate Biennial Exploratory Scenario (CBES) stress test.

Further details of stress testing are set out on **page 260 and 261**

Internal controls

Discussed reports from the Group Head of Internal Audit which provided summaries of Group Internal Audit's (GIA's) appraisals of controls across key risks, subject to the Committee's oversight, together with the key risk issues identified by GIA's work and management actions put in place to address the findings.

The Audit Committee, Board Financial Crime Risk Committee and the Culture and Sustainability Committee (CSC) discuss separate reports from the Group Head of Internal Audit on GIA's appraisal of controls across key risk types, subject to each respective Committee's oversight. Collectively, the reports received by these Committees provide assurance that there are effective internal controls within the Group.

Remuneration as a risk management tool

Considered advice provided by the GCRO to the Remuneration Committee concerning the risk factors to be taken into account by the Remuneration Committee in determining incentives for the Group Chief Executive and other colleagues. Such advice assists the Remuneration Committee in its assessment as to whether the Group's remuneration policy, practices and procedures are consistent with and promote sound and effective risk management, and do not encourage risk-taking that exceeds the level of tolerated risk of the Group.

Further details concerning the Group's approach to using remuneration as a risk management tool is set out in the Directors' remuneration report.

Activities during the year continued

Regulatory

Resolvability

The Committee held a number of discussions on resolvability over the course of the year, including scheduling an ad hoc meeting, to enable dedicated time and space to discuss this important matter. All Board members were invited to attend resolvability discussions, along with the chairs and board risk committee chairs of the Group's material subsidiaries in China, Hong Kong, Korea and Singapore. The Committee Chair, Group Chairman and Audit Committee Chair also participated in a number of additional meetings related to resolvability with the internal team, external advisers and regulators.

The Committee reviewed, discussed and challenged the Group's Resolvability Assessment Report, ahead of approval by the Board for submission to the BoE. In particular, focus and challenge was placed on the key assumptions made by management, how feedback provided by external consultants, the BoE and GIA had been addressed, and the mechanisms planned and timing for the Group's holistic testing. Resolvability will remain a key priority for 2022.

Climate Biennial Exploratory Scenario stress test

The Committee reviewed, discussed and challenged the Group's CBES stress test results, ahead of submission to the BoE. All Board members were invited to attend this discussion. In particular, focus and challenge was placed on the key learnings from this exercise, the linkages to the Group's net zero approach and how data collected for this exercise would be used from a modelling perspective. The Committee requested management to consider how the outcomes from the CBES stress test could be leveraged further by the Group and incorporated into existing risk management and stress testing processes.

Further detail on Climate Risk can be found on **pages 278 and 279**

IBOR transition

Received updates from an industry and Group perspective on the IBOR transition. The Committee continues to seek assurance that this transition programme remains on track and is adequately resourced. This will continue to be discussed in 2022.

BCBS 239 Principles

In May 2021, the Committee received and discussed an update on the outcome of the BCBS 239 self-assessment as of end 2020 and the roadmap for compliance with BCBS 239.

At the end of the year, the Committee received an update on the trajectory of the BCBS 239 Programme, including the progress made and challenges faced.

The Committee will receive an update on the level of compliance (as at 31 December 2021), once the outcome of the self-assessment is available on 28 February 2022.

Group regulator communications

The Committee discussed key communications from the PRA and FCA, where risk and resolvability were the main themes.

Examples of deeper discussions into specific topics

- **Blue sky thinking/horizon scanning:** Discussed a horizon scan of Technology Risk, with input from an external consultant, and agreed the deep dive topics to be discussed by the Committee in 2021
- **China Bank exposure management:** Received and discussed a paper covering the outlook for the Chinese banking sector and the Group's risk management approach. Some of the challenges faced by the Chinese banking sector were discussed and the Group's relationship and engagement with a number of these banks
- **Credit portfolio management (CPM):** Discussed an overview of CPM activities, including leveraged protection transactions (LPTs). Cognisant of the PRA's industry-wide concern with regard to 'cliff risk' in LPTs, the Committee noted the Group's conservative proportion and processes in place to mitigate the associated risks and confirmed its support of the Group's strategy in place to manage this
- **Hong Kong operational stability issues:** Discussed a paper setting out an analysis of system incidents in Hong Kong and targeted remediation, alongside stability initiatives under way. In conjunction with relevant management, the chairs of Standard Chartered Bank (Hong Kong) Limited board and board risk committee were invited to this discussion to provide historical background and perspective
- **Korea deep dive (including mortgage portfolio):** Received and discussed a paper setting out an overview of the key risks associated with the business activities in Korea. In conjunction with relevant management, the chair of Standard Chartered Bank Korea Limited was invited to this discussion to provide context on the controls in place to manage the key risks
- **Corporate, Commercial & Institutional Banking (CCIB) Risk deep dive:** Received and discussed papers covering the CCIB Risk review, Aviation deep dive and Early Alert process and its effectiveness. The impacts and challenges posed by COVID-19 were focused on and market idiosyncratic risk was discussed
- **Consumer, Private & Business Banking (CPBB) Risk review:** Received and discussed papers covering the CPBB Risk review and managing risks arising from partnership-driven business models. Focus was placed on partnership governance and the risks arising from and associated with partnerships. The Committee will remain focused on this in 2022
- **CPBB Fraud Risk deep dive:** Received and discussed a paper updating on the CPBB Fraud Risk landscape. Discussion focused on payment fraud and how this had been exacerbated by COVID-19. Furthermore, how training for colleagues is being conducted and how the risks associated with WFH are being managed were discussed

Activities during the year continued

Examples of deeper discussions into specific topics continued

- **Operational resilience – Important Business Services and Impact Tolerance Statements:** In line with regulatory objectives, reviewed and recommended the list of identified Group Important Business Services to the Board for approval. The Committee also reviewed and provided feedback on the Group's Impact Tolerance Statements, which will return to the Committee in February 2022, for further review and discussion
- **Interest Rate Risk deep dive:** Discussed a paper setting out the importance of Interest Rate Risk, the key drivers of this risk and how the Group manages its structural Interest Rate Risk. The Committee confirmed its support of the Group's structural hedging programme
- **Approach to crypto assets management:** Received and discussed a paper setting out the Group's approach towards emerging opportunities and governance in digital assets. Discussion focused on the governance of digital assets and the pace of change in regulatory developments with regard to digital assets
- **Third-Party Risk management with a focus on ICS Risk:** Received and discussed a paper on the Third Party Risk Management Framework and Third-Party ICS Risk. Discussion focused on controls testing, no-right-to-audit third parties and the security onboarding process
- **Management, control and governance of SC PLC:** Received and discussed a paper on the measures to enable effective management, control and governance of Standard Chartered PLC, ahead of submission to the Board for endorsement
- **Safety and Security Risk:** Received an update on safety and security issues over the last 12 months. Discussion focused on how data security is being managed at drop-in offices and how the physical risks are being managed with regard to cash holdings in branches and cash vaults
- **UAE Risk review:** Received and discussed a paper covering the material risks to the UAE portfolio, cognisant of COVID-19 impacts and changes in GDP. In particular, Climate Risk and Credit Risk were focused on
- **Structural Foreign Exchange Risk deep dive:** Received and discussed a paper setting out the importance of Structural Foreign Exchange Risk, the key driver pertaining to the risk and impending changes to the Group's hedging strategy with regard to capital requirements
- **Enterprise Risk review**: Reviewed progress reports from the Liquidity Risk review function and Credit Risk review function, which set out key themes from the 2021 reviews and the review plan for 2022

Committee effectiveness review

During 2021, an internal Board and Board Committee effectiveness review was facilitated by the Group Company Secretary.

Key observations from the 2021 internal effectiveness review

The feedback on the Committee's functioning and effectiveness was positive and it specifically highlighted:

- Overall performance has made further progress during the year, and the Committee Chair is well prepared and effective in ensuring clear prioritisation and meeting management
- In terms of composition, this was considered to be strong, with good regional representation and dedicated members with banking risk experience
- Committee members would like papers to provide greater clarity around key issues
- Committee members provided feedback on key areas of focus and topics for future training sessions

2022 Action Plan

The 2022 Action Plan for the Committee reflects suggestions from the evaluation and continues to build on the further progress made last year:

- Consider how best to include key suggested areas of focus within the forward-looking rolling agenda, including continued focus on resolvability
- Keep under review the quality and length of papers and ensure they provide greater clarity on drawing out the key issues
- Schedule training sessions to include models, second order risks from climate change and emerging technology risks

Risk information provided to the Committee

The Committee is authorised to investigate or seek any information relating to an activity within its terms of reference, receives regular reports on risk management, and tracks a wide range of risk metrics through a Board Risk Information report. This report provides an overview of the Group's risk profile against the Group's Risk Appetite Statement. The GCRO's report covers the macroeconomic environment, geopolitical outlook, material disclosures and ongoing risks. Coverage of Principal Risk Types and regulatory matters are also included in this report. Regular updates on COVID-19 impacts, country risk and geopolitical tensions have been reported on and discussed throughout the year.

The Committee has the authority to request and receive relevant information consistent with the requirements of BCBS 239 that will allow the Committee to fulfil its governance mandate relating to risks to which the Group is exposed, and alert senior management when risk reports do not meet its requirements.

Risk management disclosures

The Committee has reviewed the risk disclosures in the Annual Report and the Half Year Report, and has also reviewed the disclosures regarding the work of the Committee.

Interaction with the Group Chief Risk Officer

The Committee Chair meets individually with the GCRO regularly in between formal Committee meetings. These meetings allow open discussion of any matters relating to issues arising from the Committee's formal discussions and inform the forward-looking agenda.

Interaction with management

The Committee is mindful of the need to hold management directly accountable when issues have arisen and have been reported by the GCRO. Senior management has attended Committee meetings for deeper discussions in such instances. The Committee Chair also meets individually with senior leaders of the Risk function.

Interaction with regulators

Typically, the Committee meets with the PRA on an annual basis, without members of management being present. The purpose of such meetings is to enable a discussion between the Committee and the PRA concerning prudential-focused topics. This meeting did not occur in 2021 due to COVID-19 restrictions; however, it is anticipated that this will resume once things return to normality.

Naguib Kheraj attended calls with the PRA and the BoE over the course of the year.

Interaction between Board committees on risk-related issues

In the few instances where it does not have primary oversight for a given type of risk, the Committee interacts closely with other Board Committees where the remit of these other Committees clearly covers risk-related matters. For example, the Audit Committee has oversight of the Group's internal financial controls and regulatory compliance; the Board Financial Crime Risk Committee has oversight of the responsibilities in relation to financial crime compliance-related matters; and the CSC has oversight of culture and sustainability-related matters. The interaction assists the Committee in ensuring that it is well informed on discussions held, and the close collaboration of the Committee Chairs helps to ensure that there are no gaps and any potential for unnecessary duplication is avoided.

Risk function resourcing

The Committee has sought and received assurance that the Risk function is adequately resourced to perform its function effectively. The Committee reviewed and discussed a paper setting out an overview of the changes to the Risk function in 2021, management's assessment of the adequacy of people resources and the forward-looking view of the Risk function.

Linkages with subsidiary board risk committees

In conjunction with the Chair of the Board Financial Crime Risk Committee, Naguib Kheraj co-hosted an annual video-conference call with the chairs of subsidiary board risk committees and INEDs in July 2021. Naguib Kheraj also attended a board risk committee of Standard Chartered Bank (Hong Kong) Limited as an observer. The board risk committee chairs of our subsidiaries in China, Hong Kong, Korea and Singapore attended a number of Standard Chartered PLC Board Risk Committee discussions on matters such as resolvability and Hong Kong operational stability. The chair of Standard Chartered Bank (Singapore) Limited attended one Standard Chartered PLC Board Risk Committee meeting as an observer.

Details of this call can be found on **page 115**

Culture and Sustainability Committee

"The Committee's remit now represents the Group's heightened focus on delivering sustainability as a strategic priority"

Committee composition

	Scheduled meetings
J M Whitbread (Chair)	5/5
C M Hodgson, CBE	5/5
N Okonjo-Iweala*	1/1
D Tang	5/5
D Conner	5/5

* Ngozi Okonjo-Iweala stepped down from the Committee on 28 February 2021.

Other attendees at Committee meetings in 2021 included:
The Group Chairman; Group Chief Executive; Group Head, Human Resources; Group Head Corporate Affairs, Brand & Marketing; and Group Company Secretary.

Biographical details of committee members can be found on **pages 91 to 94**.

Main responsibilities of the Committee

The Committee is responsible for exercising oversight and advice to the Board on the Group's culture and key sustainability priorities.

The Committee reports to the Board on its key areas of focus following each Committee meeting.

The Committee has written Terms of Reference that can be viewed at **sc.com/termsofreference**

In an ever-changing world, it is important that the Group, as well as the Committee, keeps pace and this year the Brand, Values and Conduct Committee continued its evolution to ensure ongoing alignment with the Group's strategic priorities. This evolution resulted in a change of name to the Culture and Sustainability Committee, the Committee's remit now represents the Group's heightened focus on delivering sustainability as a strategic priority.

The Committee will monitor the development and implementation of the framework to align financial services with net zero emissions by 2050 and will oversee the Group's progress to deliver on intermediate targets. The Committee will keep under review the Group's overall sustainability strategy based on the three pillars of the sustainability framework: Business, Operations and Communities, and will assess progress against the Group's externally committed targets, sustainability aspirations and delivery against key sustainability priorities.

While the Committee has retained its oversight of the Group's culture, including values, diversity and inclusion and employee engagement and workforce policies; oversight of brand positioning now sits within the remit of the Management Team. The Audit Committee has taken responsibility for Conduct Risk.

The latest chapter of the Group's transformation agenda includes a focus on becoming truly purpose-led, by defining three Stands of focus: Accelerating Zero (the Climate Stand), Lifting Participation (the Equality Stand) and Resetting Globalisation (the Globalisation Stand). The Stands are not an add-on or separate from the strategy, but instead are aligned and executed through the strategy and business priorities. During the year, the Committee reviewed and supported the Management Team's proposals on how the Stands would be embedded across the organisation and will continue to monitor the progress of leaders in delivering on the Stands.

This year, the Committee organised an additional session to focus on climate change. This session provided Committee members the opportunity to gain further insight into the global challenges faced in achieving net zero and, in particular, the challenges faced by the Group given its unique footprint across emerging markets. To achieve success will mean significant change for all and the Committee will have a key role to play in supporting delivery of the Group's targets as well as monitoring progress of cultural change across the organisation in order to achieve this target.

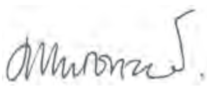
The Committee oversees the Group's commitment to upholding human rights and this year reflected on how the Group should respond to human rights issues in jurisdictions across our footprint. The Committee hosted a session on ethics and ethical decision-making that was delivered by a pre-eminent industry expert in this field. All Board directors were invited to attend this thought-provoking session.

The Committee continued to focus on the Group's culture and its diversity and inclusion initiatives, and I am pleased to report that the Group has achieved its commitment to the UK HM Treasury Women in Finance Charter with over 30 per cent women in senior leadership roles. The Group has, this year, further expanded its commitment to increasing representation of underrepresented groups in senior leadership roles and the Committee will continue to monitor the delivery and outcomes of these initiatives.

During the year, we agreed that the Group must ensure all generations of colleagues are fully engaged, motivated and supported during pivotal life stages in order to fully contribute to the success of the organisation. As such, the Committee supported the launch of a new initiative that addresses generational diversity in order to increase the retention and development of older colleagues as well as to become an employer of choice for younger generations.

The Committee also reflected on the inclusive leadership initiative which empowers employees to challenge cognitive bias to enable such biases to be raised and addressed. The Committee was encouraged to see such management initiatives that will ensure that the Group's culture continues to evolve to support delivery of strategic priorities.

The following report provides further insight into the Committee's work during the year.



Jasmine Whitbread
Chair of the Culture and Sustainability Committee

Activities during the year

Remit of the Committee	As a result of output from the Board and committees' effectiveness review undertaken at the end of 2020, and in light of refreshed strategic priorities, the Committee reflected on its purpose and remit and proposed a number of changes to its Terms of Reference, including a change of name, in order to align with emerging priorities. The Board approved the revised Terms of Reference on 25 May 2021. The Committee has retained oversight of how the Group develops and manages its culture (including its values, diversity and inclusion, employee engagement, and workforce policies and practices). The Committee continues to monitor the Group's sustainability strategy, including execution, and will review progress against the Group's external commitments. This responsibility includes monitoring the development and implementation of the framework to align financial services with net zero emissions by 2050 and deliver intermediate targets, the first being in 2023, consistent with that plan.
Sustainability – climate	The Committee held a session on net zero and discussed the challenges faced both globally and by the Group as a result of the Group's unique footprint in many emerging markets. It reviewed and provided challenge to management's plan and targets set out in order for the Group to achieve its net zero target by 2050.
Environmental, social and governance (ESG) matters	The Committee: • received an update on the delivery of the Group's community engagement strategy. This included an update on the 'Futuremakers by Standard Chartered' programme, the work of the Standard Chartered Foundation (SCF) and employee volunteering projects • discussed the Group's thematic position statements on human rights, sector statements, the framework and how the framework should be applied in a practical sense to support decision-making and escalation of issues to the Board • discussed how the Group could stay abreast of emerging best practice in governance around human rights • monitored the Group's compliance with its public commitments in relation to ESG matters, including the sustainability aspirations, and resultant scores from ESG analysts and indices.
Stands	The Committee commenced a series of conversations with senior leaders on how the Stands would be embedded across the organisation. A number of deep dives are planned for 2022.
Culture, diversity and inclusion	The Committee: • discussed the My Voice employee survey results and the action plans to be developed by management once the data had been interpreted • reviewed the Group's approach to diversity and inclusion and discussed the initiatives being developed in order to create a more inclusive workplace
Conduct	In the first half of 2021, prior to its change in remit, the Committee: • received an update on Conduct Risk and a demonstration of the Conduct Dashboard • Chair held a session with the Audit Committee Chair to transition responsibility for the oversight of Conduct Risk
Board – workforce engagement and workforce policies and practices	The Committee has responsibility for overseeing the Board's engagement framework with the workforce and ensuring workforce policies and practices remain consistent with the Group's valued behaviours, in order to satisfy certain provisions in the UK Corporate Governance Code. This year the Group recognised the need to continue adapting working practices to meet the needs of the workforce during the ongoing COVID-19 pandemic while enhancing our Board-workforce engagement. New hybrid working arrangements were introduced across a number of key markets, with further roll-out planned. The Committee has committed to reviewing the success of hybrid working arrangements and has requested a series of deep dives on the impact of hybrid working arrangements, productivity and work-life balance to be scheduled in due course. Technology has continued to play a central role in ensuring interactive and two-way engagement between colleagues and Board members across the global footprint at a time when travel remains unprecedentedly restricted. The Committee has overseen the following activity: • Continued to support changes to working practices during the ongoing pandemic, including investment in wellbeing support, and the 'Future Workplace, Now' project to capitalise on the strategic opportunities created by the pandemic and address employee questions about future flexibility and ways of working • The Board hosted six regional engagement meetings covering the Africa cluster; the Middle East, North Africa and Pakistan; India and South Asia; Europe and the Americas; the Asia cluster; and Greater China and North Asia, facilitated by an online Q&A platform and polling tools, to enable Board members to engage with colleagues in an interactive manner with as much two-way dialogue as possible. The themes covered during the sessions varied from region to region, covering people-related topics such as new ways of working, diversity and inclusion, remuneration and work-life balance, as well as strategic topics such as the Bank's share price, investment strategy, digitalisation, geopolitical environment and banking competition.

Board – workforce engagement and workforce policies and practices

Workforce engagement framework: how we engaged during 2021

- My Voice employee engagement survey
- Regional calls hosted by Board members
- Continuation of wellbeing support initiatives
- Continued dialogue on ways of working and Future Workplace, Now
- Speak Up data

Committee effectiveness review

As part of the 2021 internal Board evaluation, a review of the Committee's effectiveness was conducted. Overall, members agreed that the Committee continued to perform well and that the transition to the refreshed remit had been effective.

Progress against the actions set out in the Committee's 2021 Action Plan has been positive; a summary of the progress against each of the actions is set out below.

Progress against the 2021 Action Plan:

- During the year, the Committee participated in a two-hour session on net zero provided by Boston Consulting and Baringa Partners. This provided committee members with the opportunity to gain further insight into the global challenges faced in achieving net zero and, in particular, the challenges faced by the Group given its unique footprint across emerging markets
- The Committee hosted a session on ethics and ethical decision-making that was delivered by a pre-eminent industry expert in this field. All Board directors were invited to this session. In addition, a number of speakers are also being lined up for 2022 and beyond
- As a result of the Committee's revised remit, responsibility for Conduct and the conduct dashboard were transferred to the Audit Committee. The Committee Chairs held a handover session with management present and the Audit Committee Chair had a fulsome Conduct Risk induction

Key observations from the 2021 internal effectiveness review

- The Committee had increased its focus on culture and sustainability and held insightful discussions on culture and values, community engagement strategy, the Stands, sustainability and ESG. Committee members had also appreciated the deep dive sessions on the roadmap to net zero and human rights
- The Chair was rated as very effective and members noted the Chair's diligence and thoughtfulness with regards to the agenda, preparation for the meetings and valuable input into draft Committee papers
- Members rated the Committee composition as good with members being committed and engaged and offering different perspectives
- The Committee was well supported by the Sustainability and Human Resources (HR) Teams, and Committee papers were usually thorough and of a high quality

2022 Action Plan

The 2022 Action Plan for the Committee reflects suggestions from the evaluation drawn together with the Committee's forward-looking agenda for next year:

- Continue to monitor improvements on risk culture and also developments on auditing culture more generally
- Arrange for external speakers to provide the Asia/China perspective on topics within the Committee's remit
- Focus on the delivery of the Bank's net zero plans

Governance and Nomination Committee

"During the year, the Committee has been focused on the medium to long-term composition of the Board"

Committee composition

	Scheduled meetings	Ad hoc
J Viñals (Chair)	**4/4**	2/2
N Kheraj	**4/4**	2/2
C M Hodgson	**4/4**	2/2
J Whitbread	**4/4**	2/2
P G Rivett	**4/4**	2/2

Other attendees at Committee meetings in 2021 included:
The Group Chief Executive; Group Head, HR; and Group Company Secretary.

Biographical details of the committee members can be viewed on **pages 91 to 94**

Main responsibilities of the Committee

The Committee has responsibility for keeping the size, structure and composition of the Board and its committees under review. As part of the Committee's succession planning for the Board, it takes into account the Group's strategy and challenges, and makes recommendations to the Board in respect of any adjustments to the Board's composition.

The Committee also: keeps under review the leadership needs of, and succession plans for, the Group in relation to both executive directors and other senior executives; has oversight of the process by which the Board, its committees and individual directors assess their effectiveness; keeps the diversity of the Board under review and monitors progress towards achieving its objectives in this area; considers any potential situational conflicts of interest declared by Board members; considers the impact of material changes to corporate governance regulation and legislation affecting the Group; and has oversight of the Group's approach to subsidiary corporate governance.

The Committee reports to the Board on its key areas of focus following each Committee meeting.

The Committee has written Terms of Reference that can be viewed at **sc.com/termsofreference**

During the year, the Committee has been focused on the medium to long-term composition of the Board, cognisant that a number of the Board's independent non-executive directors (INEDs) will be reaching their nine-year tenure over the course of the next few years. At the beginning of the year, we carried out a comprehensive formal assessment of search firms that could assist the Committee in undertaking this next phase of the Board's succession planning. This process resulted in the appointment of Russell Reynolds to assist us in identifying candidates with a diverse range of skills, experience, backgrounds, gender and capabilities to enhance the Board's effective oversight of the strategy.

Maria Ramos joined the Board at the start of January 2021, and has extensive CEO, banking, commercial, financial, policy and international experience. Maria's induction onto the Board and the Board Risk and Audit committees, although conducted almost entirely virtually, remained robust and effective and Maria is adding significant value to the Board and committee discussions. Further insight into Maria's induction programme can be found on pages 106 and 107.

In light of Naguib Kheraj's decision to step down from the Audit and Remuneration committees in the summer, we undertook a refresh of the committees' membership and recommended the appointment of Maria to the Remuneration Committee. In addition to the significant focus on Board and committee succession planning we also spent a great deal of time discussing succession readiness and plans for the executive directors, the Management Team and other key senior executives, as well as programmes under way to develop talent internally. Despite the number of roles which have recently been filled externally, we looked at and assured ourselves that all key roles have credible succession plans with suitable flexibility for the immediate to longer term.

Detail of the Committee's annual review of the Board Diversity Policy and its assessment of progress against it can be found on pages 135 and 136. Following the realignment of the Policy last year, no further changes were recommended in 2021; however, we did discuss the importance of further balancing female representation on the Board and the Financial Conduct Authority's (FCA) consultation on changes to the Listing Rules in this area and agreed to keep our current target under review.

As part of the Committee's governance oversight role, we continued to receive updates from the three regional CEOs who each have responsibility for the subsidiary governance processes across their regions, and provide a holistic view of the governance framework and challenges faced across the Group's footprint. The Committee also spent time reviewing the governance structures around the growing SC Ventures entities.

Once again the Committee oversaw progress made in meeting the actions recommended in last year's internally conducted Board effectiveness review and agreed the approach for another internally run evaluation this year. Details of both are set out on page 108. We also spent time discussing the progress the Committee has made against those actions highlighted in its own effectiveness review. A summary of those reflections and of this year's Committee effectiveness review and actions for 2022 can be found on page 137.

Dr José Viñals
Chair of the Governance and Nomination Committee

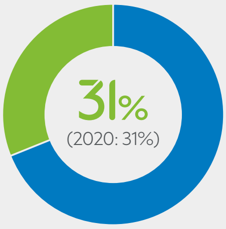
Board composition as at 31 December 2021

Gender diversity

Board

Female
4

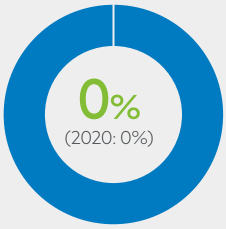
Male
9



Executive

Female
0

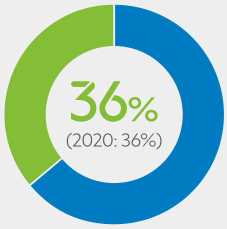
Male
2



INED (including Chair)

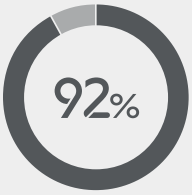
Female
4

Male
7

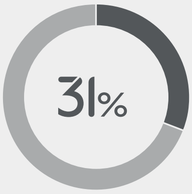


Experience

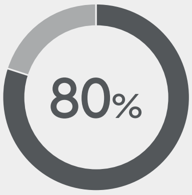
International experience



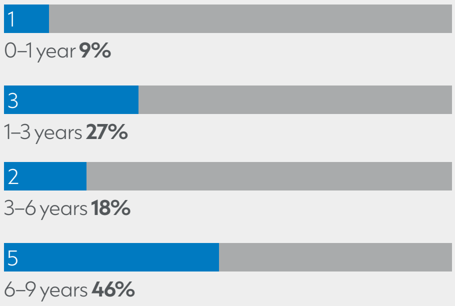
Representation from key markets

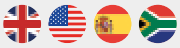


Banking, risk, finance and accounting experience amongst INEDs



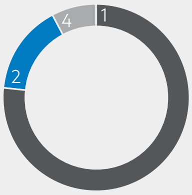
INED tenure (including Chair)





Nationality: The nationality of our directors does not in itself demonstrate the diversity of the Board's composition. Between them, the directors have significant experience of either living, working or managing operations across the markets in which we operate.

Ethnicity: Our aspiration is for our Board to reflect the diversity of our footprint. Our global ethnicity categories represent the breadth of diversity across our markets. Twenty-three per cent of the Board are from an ethnic minority background.



1. White	10 directors
2. Chinese	2 directors
3. Black	0 director
4. South Asian	1 director

Further details on the work of the **Governance and Nomination Committee** can be found below

Activities during the year

Board and senior talent succession planning

- Undertook a comprehensive and thorough formal assessment of search firms to assist the Committee in undertaking the next phase of its Board succession planning. Following a long and short-listing process, Russell Reynolds was chosen as the successful firm. Russell Reynolds is a signatory to the voluntary code of conduct for executive search firms. Russell Reynolds also supplies senior resourcing to the Group
- Engaged Russell Reynolds to review the market for future INED candidates with deep global banking and financial services experience, strong understanding of the remuneration environment, significant commercial experience and with representation from our key markets
- Discussed the composition of the Board and considered the orderly succession of current INEDs and the skills, knowledge, experience, diversity (in the widest sense) and attributes required of future INEDs, both immediately and in the medium to longer-term. In considering the Board's succession, the Committee takes into account the length of tenure of the INEDs, and the importance of regularly refreshing the Board membership
- Systematically reviewed a number of INED long and short lists throughout the year to identify potential candidates with a diverse range of skills, experience, knowledge and perspectives
- Maintained oversight of the progress made by Phil Rivett and Maria Ramos against their tailored Board and committee induction programmes
- Provided oversight of the detailed executive and senior management (level below Management Team) succession plans, alongside other critical roles, including the oversight of a process of external market mapping of key management roles
- Reviewed succession plans for the committee chair roles, identifying appropriate individuals with the necessary skills and attributes to provide emergency cover as required, as well as on a longer-term basis, including acknowledging and addressing where gaps exist. Out of this process the Committee recommended to the Board the appointment of Maria Ramos as a member of the Remuneration Committee

Activities during the year continued

Board and committees' effectiveness review	• Provided oversight of the Board and committees' internal evaluation, facilitated by the Group Company Secretary, and monitored progress against the 2021 Action Plan, which addressed the key observations from the 2020 effectiveness review. Two particular outputs included the recommendation that the Terms of Reference of the Brand, Values and Conduct Committee were refocused, giving more weight to environmental, social and governance (ESG) matters and renaming it the Culture and Sustainability Committee, and the recommendation, subject to a number of milestones being met, that the Board Financial Crime Risk Committee is folded into a combination of the Audit Committee, Board Risk Committee and the Board in 2021 or early 2022 • Discussed the observations and recommendations which flowed from the 2021 internally facilitated Board and committees' review and discussed the shape of the Board's 2022 Action Plan Details of this year's Board and committees' evaluation, including the process which we followed, observations from the review and the resulting 2022 Action Plan can be found on **page 108**
Board Diversity Policy	• Reviewed progress made in 2021 against the agreed objectives set out in the Board Diversity Policy • Conducted a review of the Board Diversity Policy to ensure that it continued to drive diversity in its broadest sense, while continuing to take account of best practice, specifically in the area of gender, social and ethnic backgrounds, knowledge, personal attributes, skills and experience • Discussed the Board's commitment to ensure a minimum of 33 per cent female representation on the Board. Cognisant of the FCA consulting on raising ambitions in this area, which includes a proposed target of at least 40 per cent female representation on boards, the Committee took the decision to wait for the outcome of this consultation and its proposal in respect to gender targets and ethnicity before recommending any further changes to the Policy or targets Further details of progress the Board has made against the key objectives set out in the **Board Diversity Policy** are set out below
Corporate governance	• Recommended the extension, for a further 12 months, of Sir Iain Lobban's appointment as independent advisor to the Board and its committees on cyber security and cyber threats
Conflicts of interest	• Conducted an annual review of the directors' existing and previously authorised potential and actual situational conflicts of interest and considered whether any circumstances would necessitate the authorisation being revoked or amended. Also noted directors' other directorships and business interests taken during the year in the context of time commitment, overboarding and the PRA limits on directorships as well as other regulatory requirements in this area
Assessment of the non-executive directors' independence	• Considered the independence of each of the non-executive directors, taking into account any circumstances likely to impair, or which could impair, their independence. Noted the thorough process undertaken to assess individual director performance and effectiveness, taking these reviews into account along with tenure and succession plans in making its recommendation to appoint the INEDs for a further year
Subsidiary governance	• Received updates from the three regional CEOs on the Group's approach to subsidiary governance. Received assurance of effective oversight and compliance with the Group's Subsidiary Governance Policy and discussed material regulatory trends, initiatives, and considerations likely to impact the current or future governance of the Group's banking subsidiaries; the key actions arising from banking subsidiary board effectiveness reviews; and linkages between banking subsidiaries and the Group • Discussed governance projects within SC Ventures and, in particular, the approach to governance of the Venture entities • Approved the appointment of a new Chair to Standard Chartered Bank (Singapore) Limited, a regional hub board
Terms of Reference	• Conducted a review of the Committee's Terms of Reference during the year, taking into account the responsibilities, obligations and best practice principles it has in the UK and Hong Kong

Implementation of the Board Diversity Policy

The Committee conducted its annual review of the Board Diversity Policy (the Policy) during 2021, to ensure that it continues to promote and drive diversity in its broadest sense, while continuing to take account of best practice initiatives, including the Parker Report into ethnic diversity, the Hampton Alexander Review on women in leadership positions and the UK Corporate Governance Code 2018. We strive to maintain a diverse Board, recognising the benefits of having a Board made up of individuals with a diverse mix of gender, social and ethnic backgrounds, knowledge, personal attributes, skills and experience. We also aim to reflect the Group's aspirations in relation to its employees and its values and to position the Group as a global leader in these areas. This diversity provides a range of perspectives which we believe contribute to the effective Board dynamics.

While positive progress has been made in improving the balance of female directors on the Board in recent years, female representation on the Board remains just below the current industry target of 33 per cent. We are cognisant of the growing pressure on boards to set longer-term and more ambitious gender aspirations, including moving towards 40 per cent female representation or gender parity and as a Committee we spent time discussing the FCA's consultation on changes to the Listing Rules in this area. While acknowledging the importance of gender diversity around the board table and ultimately gender parity on the Board, we also recognise the importance of balancing gender diversity within the broader context of diversity, which is particularly relevant given the Group's diverse geographical representation. While we remain committed to do more to increase the gender diversity on the Board, the Committee took the decision not to raise its target in this area above the current 33 per cent, pending the outcome of ongoing external consultations and to ensure progress is sustainable.

Aligned to the Policy's broad ambition, this year we report on the progress made against the seven objectives, including the two additional commitments made at the end of 2020, which the Board remains committed to in order to further enhance progress in this area:

- increasing the representation of women on the Board with an aim to have a minimum of 33 per cent female representation
- adopting an ethnicity aspiration of a minimum of 30 per cent from an ethnic minority background
- ensuring that our Board reflects the diverse markets in which we operate
- ensuring that the Board is comprised of a good balance of skills, experience, knowledge, perspective and varied backgrounds
- ensuring that we consider the Group's aspirations in relation to disability, sexual orientation, gender identity and gender expression
- engaging only search firms that are signed up to the Voluntary Code of Conduct for executive search firms
- reporting annually on the diversity of the executive pipeline as well as the diversity of the Board, including progress being made on reaching the Board's gender and ethnicity aspirations

Details of the Board's diverse composition are set out on **pages 91 to 94** of this report, and that of the Management Team can be found on **pages 95 to 97**

Details of the Group's wider Diversity and Inclusion strategy, including gender balance across the Group and targets for ethnic representation can be found on **pages 55 to 59** of this report

A copy of the full Board Diversity Policy can be viewed at **sc.com/boarddiversitypolicy** and further details on the Group's approach to Diversity and Inclusion can be viewed at **sc.com/diversity-and-inclusion**

Progress against the key objectives set out in the Board Diversity Policy is set out below.

Board Diversity Policy objectives	Progress
Increasing the representation of women on the Board with an aim to have a minimum of 33 per cent female representation	Increasing gender representation on the Board remains an important focus of the Board's succession planning process, ensuring that female candidates are fairly represented on long and short lists. The Board changes in 2021 (appointment of Maria Ramos and the retirement of Ngozi Okonjo-Iweala) ensured that the percentage of female representation on the Board remained unchanged at 31 per cent. The Board continues to strive to ensure greater female representation and is cognisant of the initiatives to further raise aspirations in this area.
Adopting an ethnicity aspiration of a minimum of 30 per cent from an ethnic minority background	Following changes to the composition of the Board in early 2021, representation from ethnic minority backgrounds dropped from 30 per cent to 23 per cent as a result of Ngozi Okonjo-Iweala's departure from the Board in February 2021. We remain committed to our ethnicity aspiration and to ensuring a broad representation of our directors from across our markets.
Ensuring that our Board reflects the diverse markets in which we operate	What sets Standard Chartered apart is our diversity of people, cultures and networks. The Board has representation from across the regions in which we operate, including the UK, North America, Asia and Africa. Many of the INEDs have additional experience of having worked and lived in many of the Group's markets. As part of the Committee's succession planning in 2021, it has considered a significant number of potential future INED candidates who are representative of some of our key regions and markets, with a particular focus on ASEAN.
Ensuring that the Board is comprised of a good balance of skills, experience, knowledge, perspective and varied backgrounds	Throughout the year the Committee has focused on identifying the collective experience, skills and attributes required both immediately and in the medium to longer term. The Committee has systematically reviewed candidate longlists and shortlists to identify potentially suitable INED candidates. Areas of particular focus in 2021 included: • corporate institutional and commercial banking • technology risks • remuneration • previous CEO/CFO experience • ASEAN experience • regulatory understanding
Ensuring that we consider the Group's aspirations in relation to disability, sexual orientation, gender identity and gender expression	We remain committed to all aspects of diversity as we undertake any Board succession process.
Engaging only search firms that are signed up to the Voluntary Code of Conduct for executive search firms	We continue to engage only search firms signed up to the Voluntary Code of Conduct. During 2021 the Committee conducted a review of its key requirements from its search firm and after a tender process appointed Russell Reynolds to assist in identifying and building a pipeline of high-quality potential INED candidates for the next stage of its Board succession process. Russell Reynolds is signed up to the Voluntary Code and is committed to supporting our ambitions to widen all aspects of diversity on the Board.
Reporting annually on the diversity of the executive pipeline as well as the diversity of the Board, including progress being made on reaching the Board's gender and ethnicity aspirations.	The Committee takes an active role in reviewing the succession planning for the executive, Management Team and senior management one level below the Management Team. We continue to improve our reporting of Board and senior talent succession planning as well as reporting on the importance of a diverse Board as a means of capturing differing perspectives and enhancing discussion.

Committee effectiveness review

As part of the 2021 internal Board evaluation, a review of the Committee was conducted. Broadly, members felt that the Committee had made good progress in a number of areas this year, highlighting progress with executive and non-executive succession plans, more thorough reviews of induction plans and oversight of progress, and a more systematic review and tracking of Board and Committee effectiveness review action plans. A summary of the key observations and the subsequent recommendations can be found below.

Progress against the actions set out in the Committee's 2021 Action Plan has been positive; a summary of the progress against each of the actions is set out below.

Progress against the 2021 Action Plan:

- Continued to enhance and tailor the Board induction programme for new Board and Committee members, providing greater oversight of progress. Maintained a significant programme of ongoing training for directors during the year
- While effort was made during the year to continue building in time within the Board calendar for members to meet internal high-potential individuals in person, continued COVID-19 restrictions impacted Committee members' ability to reach as many across the business as they had hoped. Despite this, many of the individuals continued to have exposure to the Board through presentations to the Board and its committees. In person contact will resume once visits to markets allow for interaction and more informal sessions
- As part of the Committee's succession planning process, provided oversight of an external market mapping of candidates for key management roles
- Refreshed the Board skills matrix, to assist the succession planning process, giving particular focus to the succession plans for the Chairs of the Board committees

Key observations from the 2021 internal effectiveness review

The feedback from the 2021 internally conducted Governance and Nomination Committee effectiveness review was broadly positive. The overall feeling was that good progress had been made in many areas, including succession for key executive roles and plans for non-executive succession, oversight and progress against induction plans, and a more systematic review and tracking of Board and committee effectiveness review action plans. Some of the key findings highlighted that:

- the Committee was well chaired and that communications and follow-ups on the outcomes from meetings had improved
- the new search consultant had strengthened the identification process of new INEDs as part of succession planning; however, there was a feeling that further pace and decisiveness could be injected into the process
- the Committee saw a benefit to spending more time on ensuring suitable succession plans are in place for key Management Team roles, with a greater focus on enhancing an internal pipeline of candidates
- the Committee is broadly happy with its composition, which it considered to be balanced and collegiate with a good cross-section of skills and diversity of views and perspectives. However, there was a sense that the Committee would further benefit from additional CFO and financial services experience
- the Committee was keen to have further external insight on the senior talent pool in the global banking sector

2022 Action Plan

The 2022 Action Plan for the Committee reflects suggestions from the evaluation and continues to build on the solid progress made last year:

- Schedule a session with an external party to gain some external insight on the broader senior talent pool in the global banking sector
- Schedule a focused session on Management Team succession plans, particularly focused on a number of key positions
- Ensure the pace is maintained in the INED succession planning process, focusing on increasing the level of banking/CEO experience
- Continue to review emergency succession plans for key Board roles

Board Financial Crime Risk Committee

"The Committee is pleased to note the progress made against the Group's oversight of financial crime priorities"

Committee composition

	Scheduled meetings
G Huey Evans, CBE (Chair)	4/4
D P Conner	4/4
C M Hodgson, CBE	4/4
N Kheraj	4/4
C Tong	4/4
External adviser members	
B H Khoo	4/4
Sir Iain Lobban	4/4

Other attendees at Committee meetings in 2021 included: the Group Chairman; Group Chief Executive; Group Head, Conduct, Financial Crime & Compliance; Group General Counsel; Group Chief Risk Officer; Global Head, Financial Crime Compliance, Conduct & Compliance Frameworks; Group Head of Internal Audit; Global Head, Disputes & Government Investigations; and Group Company Secretary.

As part of their ongoing engagement plans in 2021, Phil Rivett attended two Committee meetings, Maria Ramos attended three Committee meetings and Byron Grote attended the majority of one Committee meeting.

As part of, and in addition to, each scheduled Committee meeting, the Committee held private members-only meetings.

The Committee's membership currently comprises five INEDs and two independent external adviser members who are neither directors nor employees of the Group, but who provide a valuable external perspective and have extensive experience in counter-terrorism, cyber security and international security.

Biographical details of the Committee members can be viewed on **pages 91 to 94**

Main responsibilities of the Committee

The Committee provides oversight of the effectiveness of the Group's policies, procedures, systems, controls and assurance arrangements designed to identify, assess, manage, monitor and prevent and/or detect money laundering, non-compliance with sanctions, bribery, corruption and tax crime by third parties. The Committee reports to the Board on its key areas of focus following each Committee meeting.

The Committee has written Terms of Reference that can be viewed at **sc.com/termsofreference**

As Chair of the Board Financial Crime Risk Committee, I am pleased to present the Board Financial Crime Risk Committee's report for the year ended 31 December 2021.

The Committee is pleased to note the progress made against the Group's oversight of financial crime priorities, including the expiry of the Group's 2019 US Deferred Prosecution Agreements and completion of the Group's Financial Crime (FC)-related remediation programmes. While this progress is notable, we shall not become complacent and recognise that Financial Crime Risk (FCR) remains an important ongoing risk for the Group.

The Committee has kept a close watch on the progress being made to enhance financial crime compliance (FCC)-related technology. The Group began work to upgrade core data and technology infrastructure for Customer Due Diligence and FC in 2013, and the Committee was pleased to note at the end of 2021 that the major enhancements have now been deployed to all relevant markets across the Group. The Committee was assured that the Group continues to assess how to improve the effectiveness of its tools and consider next-generation surveillance and FC monitoring infrastructure and machine learning.

The Committee has received and discussed the FCR environment, controls in place and ongoing risks for a number of the Group's key markets including: India, Bangladesh, Germany and the US. The local CEOs were invited to attend these discussions, which provided opportunities for the Committee to probe how the challenges are being managed on the ground.

Following discussions held in 2020, the Committee discussed the Group's Risk and CFCC Productivity Programme, with Audit Committee members being invited to join this discussion. Focus was placed on the need to ensure that the right balance is struck between achieving cost-efficiencies and maintaining effective risk management.

A key priority for the Committee this year has been the Financial Crime Surveillance Operations (FCSO) Transformation Programme, which was discussed at each meeting. This Transformation Programme is responsible for transferring agreed in-scope surveillance activities from the second line of defence to the first line, with the objective of moving risk management closer to the source of risk and to promote better decision-making.

The Committee has regularly discussed external developments, emerging risks and threats, including how COVID-19-related FCR is evolving. Furthermore, focus has been placed on the impacts of colleagues working from home (WFH) and the associated risks. Regular reporting from management and Group Internal Audit (GIA) has provided assurance as to the effectiveness of controls in place, which will be important as the external environment normalises and as the Group transitions to a hybrid working model. The Committee has continued to monitor the Group's control capability and probed that the Group is well protected against FCR.

At the request of the Committee, a paper on FCR in new technologies including crypto assets was received and discussed. The capabilities, skills and resources required to manage these risks were discussed and management was able to provide assurance that opportunities are being assessed in a measured way, ensuring that all relevant stakeholders are engaged. Furthermore, a paper was received on the Group's Sanctions Compliance Programme. The Committee sought and received assurance that the Group continues to build this programme to be sustainable and adapt to the evolving risks that the Group faces. The Committee also discussed a paper on the Group's Anti-Bribery and Corruption (ABC) Programme, including an analysis of key risks and management actions.

The Group continues to partner to lead the fight against financial crime through information-sharing and public-private partnerships. Despite restrictions on physical meetings during COVID-19, the Committee was pleased to note that management continued to participate in information partnerships and industry work to address FCR, including through United for Wildlife hosted webinars focusing on illegal wildlife trade (IWT), the work of the Wolfsberg Group of which the Group is an active member, and with public-private partnerships in multiple markets. The Committee fully supported these virtual forums to enable the Group to continue to play a leading role in FCC sharing initiatives.

The following pages provide insight and context into the Committee's work and activities during the year.

Gay Huey Evans
Chair of the Board Financial Crime Risk Committee

Activities during the year

Completion of technology remediation programme	• Exercised oversight of the activity required to comply with the requirements of the various FCC-related resolutions with the US and UK authorities and discussed material risks and business strategy plans pertaining to the Group's businesses in the US
Assessment of financial crime risk control environment	• Discussed reports on FCR faced by the Group across a number of client segments and geographies, with members of country and regional management attending meetings to provide perspective • Assurance was sought and received on the actions under way to strengthen controls in relation to FCR • Reviewed reports on GIA's work and opinion on the Group's control environment relating to FCR. Discussions included the grading of audit reports across FCC risk themes, gaps and deficiencies that have been identified. Assurance was sought and received concerning management's response and resulting management actions. Given WFH arrangements due to COVID-19 lockdowns, the Committee probed how GIA is managing its audits and sought assurance that appropriate controls were being maintained • Discussed an annual report from the Group's Money Laundering Reporting Officer covering: responsibilities across the Group for anti-money laundering systems and controls and the structure within which they operate; an overall assessment of the FCC programme; an assessment of the operation of systems and controls; a summary of business issues and strategy; conclusions and recommendations for action; reporting from the Nominated Officer • At each meeting, received a report from the Global Head of FCC, Conduct and Compliance Frameworks setting out status reports on the FC programme, FC objectives, regulatory matters, significant investigations, external threats and technology enhancements being rolled out across the Group • At the request of the Committee, a paper setting out the key extant and emerging FC risks from technology-enabled financial innovation, focusing on the Group's digital assets strategy was discussed • Discussed the Group's ABC Programme focusing on the key risks and actions taken by management to address these. In particular, discussion focused on the control processes for intermediaries and new partnerships, for example, with SC Ventures-related initiatives • Discussed a paper setting out the nature of FCR inherent in the CCIB business, potential new FCR in light of CCIB's strategy, mitigating actions and remaining challenges
Financial crime future threats	• Discussed external development and emerging threats at each Committee meeting • Reviewed and provided feedback on the main areas of FCR threat for the Group, with the Committee providing insights on what is being seen elsewhere. In particular, discussed how the threat of COVID-19-related FC is evolving • Received and discussed papers providing an assessment of the underlying FC threats arising with most frequency in recent and ongoing significant investigations. Discussion focused on how management is responding to the various thematic risks and horizon scanning emerging risks
Group Risk Appetite Statement in relation to financial crime	• Reviewed and recommended to the Board the Group's Risk Appetite Statement, metrics and thresholds in relation to FCR • Regularly reviewed metrics measuring against the FC Risk Appetite
CFCC function	• Regularly discussed the engagement of people and the impacts of the FCSO Transformation Programme and actions to manage the risks and implement change
Financial crime compliance-related matters	• Received and discussed updates on significant FCC-related matters
Active engagement in industry and public-private initiatives	• Discussed reports on FCC-related public-private information-sharing initiatives to which the Group contributes, in order to protect the integrity of the global financial system and improve the effectiveness of the contributions of financial institutions in fighting financial crime • Discussed how the Group contributes to industry thinking on reform and information-sharing partnerships in a number of markets, as well as working with international fora such as the Wolfsberg Group • Discussed the Group's role in partnering with industry peers, non-governmental organisations and government officials, to engage in coordinated efforts to combat some of the world's most pernicious crimes, including human trafficking, terrorism, IWT and the transnational organised money laundering network
Ongoing engagement	• The Group participated in a number of United for Wildlife hosted webinars, which brought together experts and stakeholders to share knowledge and perspective on these challenges and what the financial sector can do to combat these issues and discuss emerging IWT trends and threats
Linkages with subsidiaries	• In conjunction with the Chair of the Board Risk Committee, Gay Huey Evans co-hosted an annual video-conference call with the chairs of subsidiary board risk committees and INEDs in July 2021 Details of this call can be found on **page 115**

Committee effectiveness review

During 2021, an internal Board and Board Committee effectiveness review was facilitated by the Group Company Secretary.

Key observations from the 2021 internal effectiveness review

The feedback on the Committee's functioning and effectiveness was positive and it specifically highlighted:

- The Committee has performed well with sustained focus on the key challenges faced for FCC. The Committee Chair is well prepared and manages the agenda effectively
- Good progress had been made in completing oversight of the key milestones and priorities agreed in last year's effectiveness review, and commentary was provided on the future role and focus of the Committee
- A suggestion was made that additional FCR training be offered to Committee and non-Committee members

2022 Action Plan

The 2022 Action Plan for the Committee reflects suggestions from the evaluation:

- Consideration will be given to the future role and focus of the Committee, ensuring that FCR continues to have sufficient oversight
- Additional FCR training for Committee and non-Committee members to be organised in 2022

Directors' remuneration report

"Delivering competitive reward in recognition of resilient performance achieved in challenging circumstances"

Committee composition

	Scheduled meetings
C M Hodgson, CBE (Chair)	5/5
B E Grote	5/5
N Kheraj (Stepped down as Member of the Committee on 5 July 2021)	2/2
M Ramos (Appointed as Member of the Committee on 5 July 2021)	3/3
J M Whitbread	5/5

Biographical details of the Committee members can be viewed on **pages 92 to 93**

Other attendees for relevant parts of Committee meetings in 2021 included: Group Chairman; Group Chief Executive (CEO); Group Chief Financial Officer (CFO); Group Chief Risk Officer; Group Head, HR; Global Head, Performance, Reward and Benefits; Group General Counsel; Group Head, Conduct, Financial Crime and Compliance; Group Company Secretary.

Main responsibilities of the Committee

The Committee is responsible for setting the governance framework for remuneration for all employees, ensuring alignment with our culture, the requirements of the UK Corporate Governance Code and any other relevant regulations. Key responsibilities of the Committee include:

- Oversight of the Group's Fair Pay Charter including the development and implementation of workforce remuneration policies and practices that are consistent with sound and effective risk management to support the Group's strategic priorities and enable long-term sustainable success.
- Approval of Group discretionary incentives, including adjustment for current and future risks.
- Together with the Board, determining and agreeing the remuneration framework and policies for the Group Chairman, executive directors and other senior executives, using the Fair Pay Charter principles, taking into account wider workforce remuneration, and ensuring the alignment of reward with culture and conduct.

The Committee has written terms of reference that can be viewed at **sc.com/termsofreference**

Summary of 2021 remuneration decisions

- Following significantly reduced remuneration outcomes in 2020, Group discretionary incentives for 2021 are $1,367 million; up 38 per cent on 2020 and slightly up on 2019, reflecting resilient performance in 2021.
- Annual incentive awards for the executive directors are directly linked to the Group scorecard with an outcome of 57 per cent of the maximum.
- Salary increases of 2.7 per cent will be implemented in April 2022 for both executive directors, in line with the average salary increase for the Group's UK workforce and below the average salary increase for the Group (4.8 per cent).
- A new directors' remuneration policy is proposed for implementation in 2022, subject to shareholder approval at the AGM. There are no material changes as the policy continues to support the delivery of our strategy.
- Greater alignment is introduced between reward and the Group's strategic priorities, including our Stands, through direct links to annual and long-term incentive measures.

Introduction

On behalf of the Remuneration Committee, I am pleased to present our directors' remuneration report for the year ended 31 December 2021. The report provides an overview of the Committee's work in the year on remuneration for the executive directors and the wider workforce.

During 2021 we have continued to support colleagues through the COVID-19 pandemic, recognising the fatigue and ongoing challenges created by the prolonged nature of the crisis. We are sensitive to the difficulties many continue to face and are investing heavily in our people and culture, being committed to developing the bank for the new economy – one that is inclusive, collaborative and innovative.

Across more than 50 markets we have built a bank with diverse experience, capabilities and culture. We are dedicated to making remuneration decisions that are fair, transparent and competitive in order to enable a future-ready workforce and build a workplace that helps our colleagues perform at their best. Our Fair Pay Charter continues to guide our performance and reward decision-making globally. Our 2021 Fair Pay Report provides an update on the progress made and summarises how we meet the principles of our Fair Pay Charter. Highlights this year include taking the first steps to incorporate living wages into our supply chain and continuing to increase consistency of benefits across our markets.

The 2021 Fair Pay Report can be viewed at **sc.com/fairpaycharter**

As part of this report we are presenting our new directors' remuneration policy (the policy) which, if approved, will apply from the date of the 2022 AGM for up to three years. No material changes are proposed to the policy as the Committee is confident that it remains fit for purpose and continues to support the delivery of our strategy. In arriving at this conclusion, we have consulted with shareholders and considered the experience of our wider stakeholder group. A summary of the proposed changes is included below and the full policy is set out on pages 161 to 166.

Our performance in 2021

Throughout the year, the Group has demonstrated resilient performance against a challenging backdrop. Underlying profit before tax is up 55 per cent on 2020, driven by low levels of credit impairment and good progress across our strategic priorities. Return on tangible equity (RoTE) is up 300 basis points to 6.0 per cent and the Group remains strongly capitalised, with the Common Equity Tier 1 (CET1) ratio at 14.1 per cent, demonstrating resilience.

The formulaic Group scorecard outcome was 64 per cent with 37 per cent based on financial achievements including effective cost management, low levels of credit impairment and growth in high-performing liabilities and 27 per cent based on non-financial achievements, including digital adoption, increased innovation, speed to market (from idea formation to client delivery) and delivery on our commitment to the Women in Finance Charter.

Group-wide remuneration

2021 annual discretionary incentives

Following significantly reduced discretionary incentives and limited pay increases in 2020, remuneration outcomes have increased in 2021 in line with performance.

The Group scorecard assessment of 64 per cent was used as a starting point for determining discretionary incentives. The Committee also considered carefully risk, control and conduct matters, reviewing material issues and fines, including the penalty received from the Prudential Regulation Authority (PRA) in respect of liquidity reporting issues.

Considering all factors, and to ensure the outcome reflects underlying performance, the Committee determined that a reduction of 7 percentage points was appropriate, resulting in an outcome of 57 per cent for the purposes of discretionary incentives. This results in aggregate incentives of $1,367 million, which is 38 per cent higher than 2020 and slightly above 2019. Further detail is set out on page 153.

2022 salaries

At the start of 2021 we limited salary increases in recognition of the prevailing circumstances. However, through the year we saw an increase in competition for talent in the global labour market. In response to this, and wage inflation across several of the markets we operate in, our average global salary increase is 4.8 per cent for 2022.

Executive director remuneration in 2021

Annual incentives for executive directors

Annual incentives for Bill and Andy reflect the Group scorecard outcome with potential to adjust upwards or downwards based on personal performance. For 2021, the Committee determined that the annual incentive for Bill and Andy should be unadjusted from the Group outcome, at 57 per cent of the maximum.

In 2020, the Group scorecard outcome was 37 per cent, which was then reduced by Bill's and Andy's voluntary waiver of the cash portion (i.e. 50 per cent), resulting in an overall annual incentive outcome of 18.5 per cent of the maximum.

The 2021 scorecard results in annual incentive outcomes for the executive directors that are 54 per cent higher than 2020 (before the voluntary waiver of the cash portion) and slightly lower than 2019, which is a more comparable year given the material impact of COVID-19.

2019–21 LTIP awards vesting in March 2022

The 2019–21 long-term incentive plan (LTIP) awards are due to vest in March 2022. Following an assessment of the performance conditions, the expected levels of vesting are:

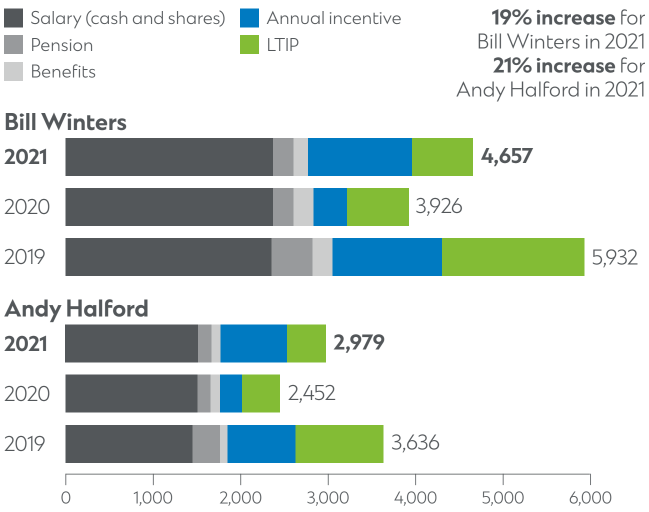
- RoTE – 0% vesting
- Total shareholder return (TSR) – 0% vesting
- Strategic priorities – 23% vesting

We have not adjusted the performance targets as a result of the pandemic. The value delivered by the 23 per cent vesting outcome and included in the single total figure of remuneration is based on a share price of £4.55 (the three-month average to 31 December 2021) compared with the share price of £6.11 at grant in 2019. This reduces the award outcome value by 25 per cent.

Single total figure of remuneration for 2021

The 2021 annual incentive and expected 2019–21 LTIP vesting results in a 2021 single figure for Bill of £4,657,000 and for Andy of £2,979,000. This represents a year-on-year increase of 19 and 21 per cent respectively, which partially reflects the impact of the executive directors' voluntary waiver of the cash portion of their annual incentive in 2020.

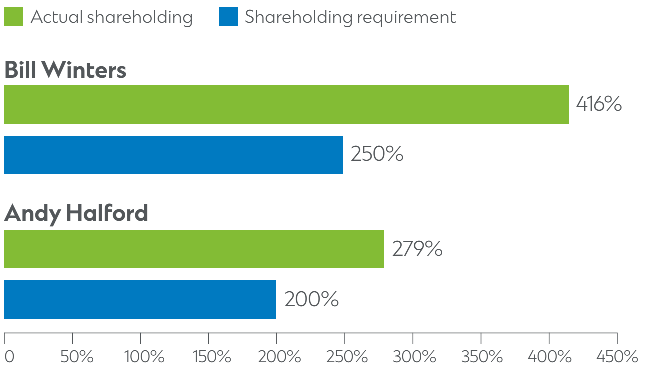
2021 single total figure of remuneration (£000)



Executive directors' shareholdings

A significant portion of Bill's and Andy's total remuneration is delivered in shares which will be released over the next eight years. The deferral, retention and recovery provisions of their pay reinforce continued alignment with shareholder interests and the Group's long-term performance. As of 31 December 2021, both Bill and Andy had exceeded their shareholding requirements as outlined below.

Executive director shareholdings (% of salary)



Directors' remuneration policy

The Committee is seeking shareholder approval for a new remuneration policy for the executive directors, as the term for the existing policy comes to an end at the 2022 AGM. We have undertaken an extensive review of the existing policy, including consulting with our major shareholders, and we believe it remains appropriate to support the delivery of our strategy. As such, no significant change to the overall structure or quantum of the current executive directors' remuneration is being proposed in the new policy. Further detail is set out on pages 160 to 166.

As a reminder, at the AGM in 2019 the directors' remuneration policy received the support of 63.8 per cent of shareholders. The Committee re-engaged with shareholders to seek feedback and address concerns relating to the pension allowance. Following these discussions, with effect from 1 January 2020, the pension allowance for the current executive directors was reduced from 20 per cent of salary to 10 per cent of salary, aligning with UK employees. The subsequent directors' remuneration reports received shareholder support of 97.0 per cent and 98.6 per cent at the 2020 and 2021 AGMs respectively.

Two developments to the directors' remuneration policy are proposed to align with market practice, which has evolved since 2019:

- Without changing the value of the maximum opportunity, the calculation of variable pay will be based on salary (cash and shares) only and will no longer include the pension allowance. This is purely a presentational change.

	Maximum opportunity	
Basis of calculation	Annual incentive	LTIP
Current: fixed pay – salary and pension	80%	120%
Proposed: salary	88%	132%

- The post-employment shareholding requirement will be increased to 100 per cent of the shareholding requirement for two years following the cessation of employment.

In addition, to recognise market practice and the views of some of our shareholders, the pension allowance for new directors will be based on the cash element of salary only. The Committee considered carefully whether the pension allowance for Bill and Andy should also be based on the cash element of salary only. However, the pension reductions in 2020 had a direct impact on the variable pay opportunity (8 per cent lower for both Bill and Andy) in addition to the reduction in fixed pay. Therefore, to avoid further reducing the opportunity, we believe the current policy (10 per cent of salary) continues to be appropriate for Bill and Andy and remains consistent with the approach for the rest of the UK workforce. In making this decision, the Committee also took into account the high level of shareholder support expressed for the current arrangements at the 2020 and 2021 AGMs, and in recent engagement sessions.

Executive directors' remuneration in 2022

For 2022, the assessment of personal performance will be embedded into the annual incentive scorecard assessment, accounting for a maximum weighting of 10 per cent. Financial measures will continue to make up 50 per cent of the annual incentive scorecard. Further detail is set out on page 169.

Under the remuneration policy, the Committee considers salary increases annually for the executive directors and takes account of increases in scope or responsibility, the individual's development in role, market competitiveness, and salary increases across the Group. This is in line with the approach taken for all Group employees.

Taking into account the average 2022 salary increase awarded to the Group's UK and global workforce, the Committee has determined that an increase is appropriate. The Committee has awarded salary increases of 2.7 per cent to Bill and Andy, from £2,370,000 to £2,434,000 and from £1,515,000 to £1,556,000 respectively. This is the second salary increase awarded to Bill and the third to Andy since their appointments in 2015 and 2014 respectively.

2022-24 LTIP awards to be granted in March 2022

After considering 2021 performance, 2022–24 LTIP awards will be granted to both Bill and Andy with a value of 120 per cent of fixed pay, in line with our current policy. Subject to performance over the next three years, awards will vest pro rata over years three to seven with an additional retention period of 12 months after vesting. Performance will be assessed based on RoTE with a CET1 underpin, TSR relative to a peer group, and the achievement of measures that are aligned with the Group's strategic priorities.

Last year we adjusted the weightings of the performance measures and included a standalone sustainability pillar to recognise its importance. This year we are retaining this pillar and increasing the focus on the broader impact of client activity, rather than on our internal operations. To enhance the alignment between executive remuneration and our strategy, measures relating to all three Stands are included in the 2022–24 LTIP. More information on our Stands is set out on pages 24 and 25.

Discussions with shareholders were held in January 2022 on the development of these performance measures and targets, and were factored into final decisions made by the Committee. Further details on the 2022–24 LTIP and the performance targets are set out on pages 157 and 158.

This directors' remuneration report is subject to two shareholder votes at the 2022 AGM:

- An advisory vote on the application of the existing directors' remuneration policy in 2021.
- A binding vote on the proposed directors' remuneration policy which, if approved, will apply from the date of the AGM. The policy sets out the framework for directors' remuneration for up to three years.

In the rest of this report we present the disclosures required by regulations, as well as additional information to explain how remuneration for our executives aligns with our strategy, shareholder interests and wider workforce pay.

All disclosures in the directors' remuneration report are unaudited unless otherwise stated. Disclosures marked as audited should be considered audited in the context of the financial statements as a whole.

In making remuneration decisions for 2021 and beyond, we have been mindful of the experience of our wider stakeholder group. I would like to thank personally our shareholders and my fellow Committee members for their ongoing support and engagement as we sought to strike the appropriate balance.

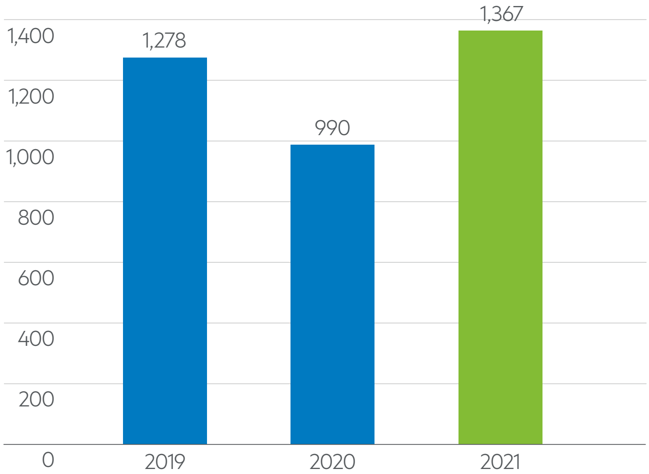
C Hodgson

Christine Hodgson
Chair of the Remuneration Committee

Remuneration at a glance

Group-wide remuneration

Total discretionary incentives, 2019–2021 ($m)



2021 Group scorecard outcome

Financials
37/50%

Risk and controls
3/15%

Clients
5/10%

Sustainability
7/10%

Enablers
12/15%

Discretionary reduction to formulaic outcome
7ppt[1]

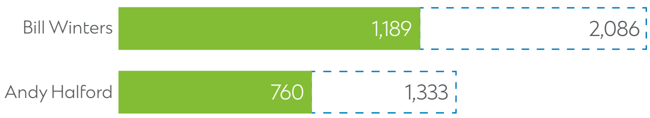
2021 Group scorecard outcome
57%

1 Considering all factors, the Committee determined that a reduction of 7 percentage points (ppt) to the formulaic outcome (64 per cent) was appropriate, resulting in an outcome of 57 per cent for the purposes of discretionary incentives

Executive directors' remuneration

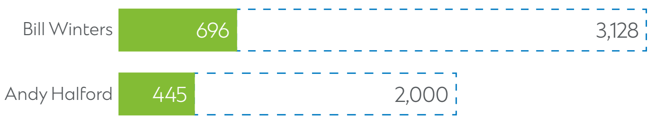
2021 annual incentive (£000)

57% of maximum



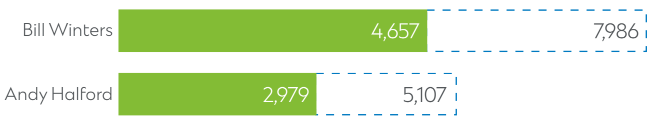
2019–21 LTIP outcome (£000)

23% of maximum



2021 single figure (£000)

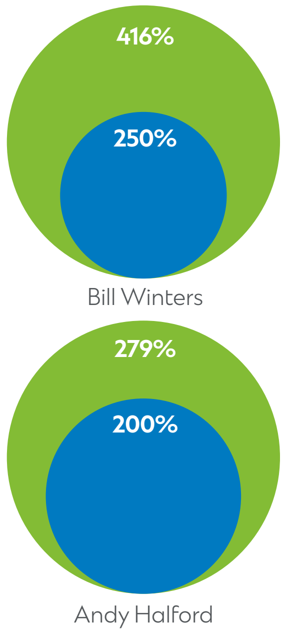
58% of maximum



2021 outcome Maximum opportunity

Share ownership as % of salary (at 31 December 2021)

Requirement
Actual



Financial KPIs

Profit before tax
$3,896m
↑55%

Common Equity Tier 1 ratio
14.1%
↓28bps
Above our target range of 13-14%

Return on tangible equity
6.0%
↑300bps
Underlying basis

Total shareholder return
(32.6)%
↓2.0%

Non-financial KPIs

Diversity and inclusion: women in senior roles
30.7%
↑1.3ppt

Sustainability Aspirations met or on track
82.9%
↑4.5ppt

Summary of the proposed new executive directors' remuneration policy

Our policy on remuneration for directors was last reviewed in 2018 and approved by shareholders at the May 2019 AGM. During 2021 we have carried out a review of executive director remuneration and at our May 2022 AGM we will propose a new directors' remuneration policy.

Taking into account feedback received from our major shareholders and proxy advisers, the Committee considers that the current directors' remuneration policy remains appropriate and continues to support the delivery of our strategy. Therefore, no significant changes to the overall structure or quantum of the current executive directors' remuneration packages are being proposed. The key elements of the proposed policy and an explanation of the proposed changes are set out below. Full details of the new directors' remuneration policy are set out on pages 160 to 166.

Element	Current policy	Proposed changes to policy and rationale
Fixed remuneration		
Salary	Delivered part in cash (paid monthly) and part in shares (20 per cent released annually over five years)	**No change** **Why?** Delivering salary part in cash and part in shares continues to reinforce long-term alignment with shareholders.
Pension	Maximum of 20 per cent of salary, implemented at 10 per cent of salary for current executive directors Paid as a cash allowance and/or contribution to a defined contribution scheme	**Change:** Maximum will reduce to 10 per cent of salary in line with current implementation. **Why?** With effect from 1 January 2020, the pension allowance for the current executive directors was reduced from 20 per cent of salary to 10 per cent of salary. This reduced the variable pay opportunity by 8 per cent for both Bill and Andy. To avoid a further reduction in remuneration, pension for the current executive directors is being maintained as a percentage of the cash and share elements of salary. **Change:** For new directors pension will be based on the cash element of salary only. **Why?** To recognise feedback from shareholders and to align further with market practice.
Benefits	A range of benefits are provided which support directors to carry out their duties effectively	**No change** **Why?** Core benefits continue to be aligned with the wider workforce.
Variable remuneration		
Total variable remuneration cannot exceed regulatory limits		
Annual incentive	Based on the Group scorecard of financial and strategic targets and personal performance, measured over one year Maximum opportunity of 80 per cent of fixed pay (defined as salary and pension) to be delivered as a combination of cash and shares subject to holding requirements	**Change:** The annual incentive opportunity will be re-expressed as a percentage of salary only, changing from a percentage of fixed pay. The maximum opportunity, as a percentage of salary, will be 88 per cent and results in the same value of opportunity. **Why?** The basis for calculation of variable remuneration is changing to align with market practice and to recognise shareholder preference.
Long-term incentive plan (LTIP)	Share awards to be granted annually and subject to performance measured over three years Maximum opportunity of 120 per cent of fixed pay (defined as salary and pension) with phased vesting over three to seven years and subject to holding requirements	**Change:** The LTIP will be re-expressed as a percentage of salary only, changing from a percentage of fixed pay. The maximum opportunity, as a percentage of salary, will be 132 per cent and results in the same value of opportunity. **Why?** The basis for calculation of variable remuneration is changing to align with market practice and to recognise shareholder preference.
Shareholding requirements	Executive directors are required to hold a specified level of shares expressed as a percentage of salary During the current policy the requirements have been 250 per cent of salary for the CEO and 200 per cent of salary for the CFO	**No change** **Why?** The shareholding requirements remain appropriate and aligned to the interests of shareholders and market practice.
Post-employment shareholding requirement	100 per cent of the shareholding requirement in place for one year and 50 per cent of the requirement in place for the second year following cessation of employment	**Change:** The post-employment shareholding requirement will be 100 per cent of the shareholding requirement for the full two years following the cessation of employment. **Why?** The requirements are changing to align with market practice and shareholder guidance.
Leaver provisions	On a case-by-case basis, the Committee has the discretion to disapply the proration of vesting LTIP awards for time not served during the performance period (e.g. in retirement situations) when specific criteria are met	**No change** **Why?** This provision is being retained to provide the Committee flexibility, if the specific criteria set out in the full policy on page 165 are met, to enable smooth leadership transition and to retain alignment of the retiring executives with the long-term interests of the Group and shareholders.

Remuneration alignment

How does remuneration for our executive directors align with our strategy?

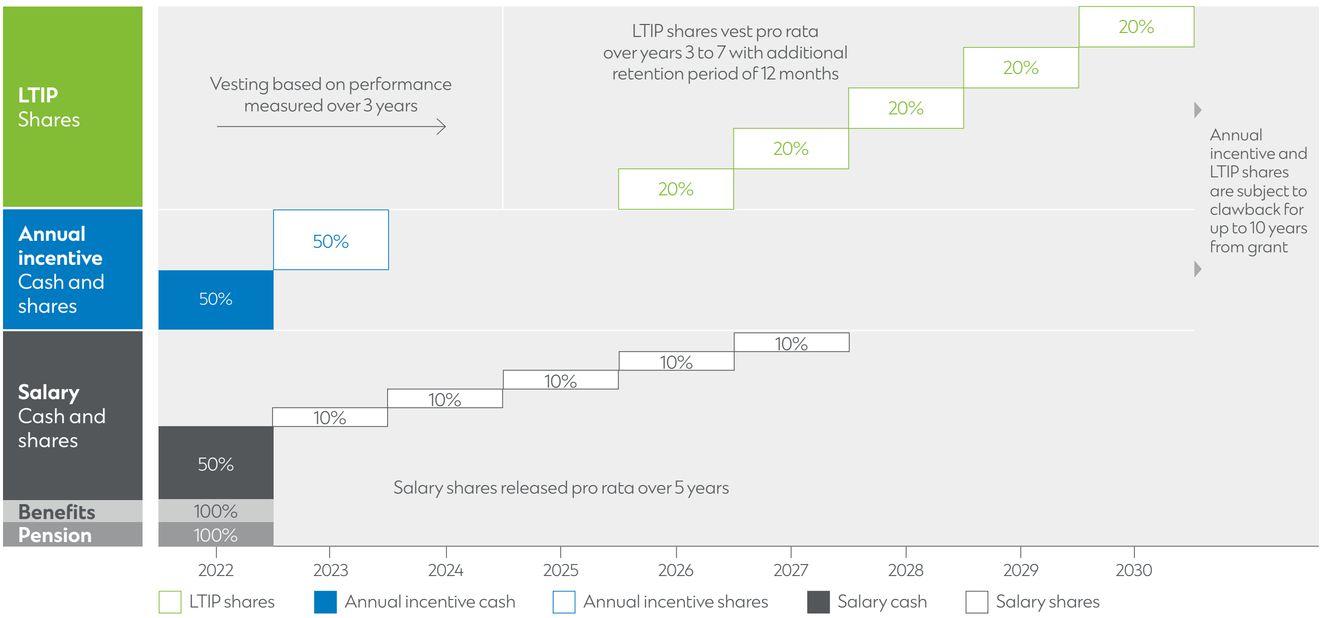
Remuneration decisions made across the Group and by the Committee align with our strategy and Stands, our stakeholders' interests in our delivery of long-term sustainable value and with the wider workforce in line with the principles set out in our Fair Pay Charter.

The table below sets out how we have aligned the measures and targets in our Group annual and long-term incentives with our strategy and Stands, and other reward elements that achieve further alignment.

			Group annual and long-term incentive performance measures	Other reward elements
Strategic priorities	Clients	Network Affluent Mass retail	• Improve client satisfaction rating • Deliver network income growth in Corporate, Commercial & Institutional Banking • Grow digital ventures values • Grow affluent wealth client activity	• Targets in individual balanced scorecards
	Sustainability and Stands		• Progress against the Group's aim to achieve net zero for 2050 • Deliver strong progress towards our green and transition finance target • Lift participation of small businesses through increasing access to financial services • Support companies to improve working and environmental standards	• Employee volunteering • Futuremakers
Strategic enablers	People and culture New ways of working Innovation		• Drive culture of innovation to generate new revenues • Adopt new ways of working that result in quicker decision-making and delivery • Develop human capital by improving employee engagement, diversity and inclusion	• Fair Pay Charter • Living wages • Gender pay reporting • Salary ranges • Recognition
Shareholder returns			• Operating profit • Return on tangible equity • Total shareholder return	• All employee share schemes • Holding periods • Shareholding requirements
Risk and controls			• Improve effectiveness of risk and control governance • Successfully deliver milestones within the cyber risk management plan	• Deferral • Malus and clawback • Individual performance adjustments

How does remuneration for our executive directors align with shareholder interests?

The diagram below, based on the new directors' remuneration policy, shows how a portion of Bill's salary, annual incentive and long-term incentive is paid in shares which are released up to eight years following grant, so that the final component of pay granted in 2022 is released in 2030. This creates strong alignment between the interests of executives and shareholders to create long-term value. On a maximum opportunity basis, Bill's total remuneration is delivered 67 per cent in shares (including those subject to performance conditions) and 33 per cent in cash.



How does remuneration for our executive directors align with the wider workforce?

Our approach to remuneration is consistent for all employees and is designed to create alignment with our Fair Pay Charter principles which apply globally.

Pay structure varies according to location. The table below demonstrates remuneration alignment between the executive directors and our UK workforce, being the most relevant market.

<table>
<tr><th colspan="3">All UK employees</th><th>Executive directors and the Management Team</th><th>Executive directors only</th></tr>
<tr><th>Salary</th><th>Pension</th><th>Annual incentive</th><th>LTIP</th><th>Shareholding requirement</th></tr>
<tr>
<td>• Salary is a contractually fixed amount and is set based on role, skills and experience.
• Salary is reviewed annually against relevant market benchmarks for both the executive directors and other UK employees.
• The executive directors' salaries are paid in a combination of cash and shares to align with shareholder interests.
• For UK employees, salary is paid 100 per cent in cash in line with the market.</td>
<td>• Pension is set at 10 per cent of salary for both the executive directors and other UK employees, aligned with the provisions of the UK Corporate Governance Code.
• In line with the UK Corporate Governance Code, only salary is pensionable.
• Benefits and incentives are not pensionable.</td>
<td>• All UK employees are eligible for an annual incentive.
• Annual incentives are based on Group performance (measured against the annual Group scorecard) and individual performance.
• The same Group scorecard is used to determine incentives for executive directors and other UK employees.
• Annual incentives are subject to risk adjustment provisions.</td>
<td rowspan="3">• LTIP awards are granted to senior executives who have the ability to influence the long-term performance of the Group.
• The grant of awards is dependent on performance in the year and the vesting of awards is dependent on performance over a three-year post-grant period.
• Vested shares are subject to further retention periods.
• LTIP awards are subject to risk adjustment provisions.</td>
<td rowspan="3">• Executive directors have a shareholding requirement of 250 per cent of salary for the CEO and 200 per cent for the CFO.
• Executive directors have a post-employment shareholding requirement. Under the proposed policy, the shareholding requirement will be equal to the full shareholding requirement for two years.</td>
</tr>
<tr><th colspan="2">Benefits</th><th>Sharesave</th></tr>
<tr>
<td colspan="2">• The core benefits offered to executive directors and other UK employees are the same: private medical insurance, life assurance, income protection, accidental death and disability insurance and a cash benefits allowance.
• Executive directors receive a lower cash benefits allowance than other UK employees, as a percentage of their salary.
• Executive directors have the use of a vehicle and driver. This is a role-based provision due to security and privacy requirements.
• The CEO is entitled to a contribution to the preparation of his annual tax returns owing to the complexity of his tax affairs, in part due to travel requirements for Group business.
• Employees are eligible for tax return preparation in the year of an international relocation owing to the complexity of their returns in those years.</td>
<td>All UK employees are eligible to participate in the Sharesave plan, which enables employees to share in the success of the Group at a discounted share price.</td>
</tr>
</table>

The Remuneration Committee

The Committee is responsible for overseeing the remuneration of all employees, which includes determining the framework and policies for the remuneration of the Group Chairman, the executive directors and other senior management. The Committee also oversees workforce remuneration and the alignment of reward, culture and the strategic priorities.

The Committee has written terms of reference that can be viewed at **sc.com/termsofreference**

Shareholder voting

The table below shows the votes cast[1] at our AGM in May 2021 on the 2020 directors' remuneration report. The resolution on the directors' remuneration policy at the May 2019 AGM received a binding vote in favour of 64 per cent.

	For	Against	Withheld
Advisory vote on the 2020 remuneration report	**596,685,018** (98.59%)	**8,508,938** (1.41%)	7,673,691

1 Number of votes is equal to number of shares held

Advice to the Committee

The Committee was assisted in its considerations by PwC, who was formally reappointed by the Committee as its remuneration adviser in June 2021 following a review of potential advisors and the quality of advice received. It is the Committee's practice to undertake a detailed review of potential advisers every three to four years.

PwC is a signatory to the voluntary Code of Conduct in relation to remuneration consulting in the UK. PwC also provides professional services to the Group in the ordinary course of business including assurance, advisory, tax advice and certain services relating to Human Resources. The Committee considered PwC's role as an adviser to the Group and determined that there was no conflict or potential conflict arising. The Committee is satisfied that the advice the Committee receives is objective and independent. The total fee paid to PwC (on an agreed fee basis) was £137,450 which includes advice to the Committee relating to executive directors' remuneration and regulatory matters.

The Group Chief Financial Officer and Group Chief Risk Officer provided the Committee with regular updates on finance and risk matters, respectively. The Committee recognises and manages any conflicts of interest when receiving views from executive directors or senior management on executive remuneration proposals and no individual is involved in deciding their own remuneration.

Committee effectiveness review

This year the Board effectiveness review comprised an internally facilitated, questionnaire-based evaluation for the Board and its Committees completed by every Board member.

Key observations from the 2021 internal effectiveness review

The review outcomes for the Remuneration Committee, which are summarised below, were very positive:

- Members highlighted the good process around preparation for the 2022 policy vote.
- Members rated the Committee composition as strong with a good understanding of remuneration. The Committee welcomes the addition of Maria Ramos and the skills and experience she brings.
- Information received by the Committee is considered clear and comprehensive. Meetings are considered efficient and proactively managed with well-structured agendas.
- Management incentives are considered well aligned with the Group's strategic aims and investor expectations, with metrics clearly defined and measurable.

2022 Action Plan

The 2022 Action Plan for the Committee reflects suggestions from the evaluation and continues to build on the further progress made last year:

- Implement the 2022 directors' remuneration policy for executive directors.
- Continue to review the implementation of the Group's Fair Pay Charter and alignment of workforce policies and practices with its principles.
- Monitor market trends to ensure that the Group's remuneration remains competitive, in the context of improving performance and productivity.
- Continue to assess the alignment between Group incentives and the delivery of the strategy and our desired performance-orientated, innovative culture, underpinned by conduct and sustainability.
- Oversee compliance with the PRA and Financial Conduct Authority (FCA) remuneration rules, including applicable elements of the Capital Requirements Directive V.
- Consider joint horizon-scanning sessions with the Culture and Sustainability Committee.

Committee activities in the year	18-Jan	01-Feb	28-Jul	05-Oct	29-Nov
Executive directors' remuneration					
Review of the directors' remuneration policy and implementation	✔	✔	✔	✔	✔
Fixed and variable remuneration	✔	✔			✔
Senior management remuneration					
Recruitment and termination	✔		✔	✔	✔
Fixed and variable remuneration	✔		✔	✔	✔
All employee remuneration					
Group-wide discretionary incentives	✔	✔	✔	✔	✔
Outcomes from the annual performance and reward review	✔	✔			
Incentive performance measures, targets and outcomes	✔	✔	✔	✔	✔
Group-wide reward, the Fair Pay Charter and gender pay gap		✔	✔	✔	
Reward governance					
Consideration of risk, control and conduct matters	✔	✔	✔	✔	✔
Identification of material risk takers	✔		✔		
Engagement with stakeholders and regulatory, investor and political matters	✔	✔	✔	✔	✔

The Committee held an additional strategy meeting to discuss the Group's approach to compensation costs and the impact of UK/EU remuneration rules on competition for talent with domestic banks not subject to the same regulatory requirements.

The Committee dealt with certain less material matters on an ad hoc basis through email circulation.

Understanding the views of our workforce

The Committee recognises the importance of seeking feedback from colleagues on remuneration to inform decision-making. This year, 92 per cent of colleagues responded to the Group's engagement survey, which sought to understand colleague sentiment in respect of reward, flexible working and wellbeing. Key insights were presented to the Committee for discussion, and results were shared with the workforce along with a summary of actions being taken.

The Board engages with and listens to the views of employees. In 2021, six interactive engagement sessions took place virtually, with participation from more than 2,600 colleagues. A range of people-related topics were discussed, including new ways of working, diversity and inclusion, remuneration and work-life balance.

Further information on our workforce engagement framework is included in our Culture and Sustainability Committee report on pages 130 to 132.

Group-wide remuneration in 2021

Our Fair Pay Charter

As we navigate new ways of working, our Fair Pay Charter enables us to continue to build a culture of sustainable high performance where everyone can be at their best and feel their contributions are fairly rewarded.

Our Fair Pay Charter principles guide performance and reward decision-making globally and continue to be our compass in developing a reward strategy that responds to colleagues' changing needs.

In February 2022 we publish our third Fair Pay Report which explains how our reward practices currently meet our principles and summarises progress made to enhance alignment in 2021.

Progress against the Fair Pay Charter in 2021

We are proud of the progress we have made against the principles of our Charter since its launch in 2018. Implementation continues as new ways of working evolve; work in 2021 has been in the following areas:

- On an annual basis we complete assurance activity to ensure that all colleagues are paid a living wage, as measured by the benchmarks in place through our work with the Fair Wage Network.
- We have taken initial steps to integrate fair pay into our supply chain, which is a multi-year undertaking. This year we published the Standard Chartered Supplier Charter which sets out how suppliers can develop their understanding of living wages and encourages the adoption of fair pay practices.
- In some markets that were acutely impacted by the pandemic during 2021, such as India, the Philippines, Sri Lanka, Nigeria and Zimbabwe, we provided additional financial assistance to employees, including access to increased credit facilities.
- During the pandemic, we have raised limits on medical benefits in several markets in Asia and Africa and the Middle East to supplement state coverage for COVID-19 treatment, and procure vaccines for colleagues and their dependents in support of government-led initiatives.
- To improve the transparency and fairness of fixed pay decision-making, we provide people leaders with Group-wide principles guided by market data and salary ranges. We have continued to expand the coverage of salary ranges in 2021, up to 76 per cent. This reduces the potential risk of bias by shifting focus away from an individual's past or current compensation.
- We continue to improve consistency in our benefits approach for colleagues across 50 markets. Flexible benefits was launched in Malaysia in March 2021, enabling greater freedom of choice based on individual circumstances.

Fair Pay Charter principles

1	We commit to pay a living wage in all our markets and seek to go beyond compliance with minimum wage requirements.
2	We provide an appropriate mix of fixed and variable pay and a core level of benefits to ensure a minimum level of earnings and security to colleagues and to reflect the Group's commitment to wellbeing.
3	We support colleagues in working flexibly, in ways that balance both business needs and their personal circumstances, and provide colleagues with the opportunity to select the combination and level of benefits that is right for them.
4	Pay is well administered with colleagues paid accurately, on time and in a way that is convenient for them.
5	We provide a competitive total fixed and variable pay opportunity that enables us to attract, motivate and retain colleagues based on market rates for their role, location, performance, skills and experience.
6	The structure of pay and benefits is consistent for colleagues based on their location and role, with a clear rationale for exceptions.
7	We are committed to rewarding colleagues in a way that is free from discrimination on the basis of diversity, as set out in our Group Code of Conduct.
8	We ensure pay decisions reflect the performance of the individual, the business they work in and the Group, and recognise the potential, conduct, behaviours and values demonstrated by each individual.
9	We set clear expectations for how colleagues are rewarded and the principles guiding decisions, including clear personal objectives and feedback.
10	We provide clear communication of pay and performance decisions, and seek feedback and input from colleagues on our pay structures and outcomes.

A bank for the new economy

Flexible working

We are focused on how we adapt and remain future-ready in response to the evolving nature of work and changing expectations from clients and colleagues. In 2020, we committed to implementing a hybrid working approach, combining virtual and office-based working with greater flexibility in working patterns and locations, balancing colleague preference and business demands.

As we emerge from the pandemic, the office is becoming a space where we will go to connect, collaborate, innovate and learn with others – clients and colleagues alike. At the root of these changes is an appetite for autonomy, flexibility and choice. We are transforming our spaces into communities curated to enhance business performance, connectivity, collaboration and wellbeing. We have also created a Near Home solution to implement colleagues' hybrid working arrangements, giving choices about when, where and how we work.

Driven by the continuation of pandemic-related restrictions and by our new flexible working initiative, based on the results of the 2021 My Voice survey, 42 per cent of colleagues were working fully from home, 26 per cent fully from the office, and 32 per cent a combination of home and office (hybrid).

In 2021, our flexi-working model went live in 28 markets: 73 per cent of colleagues in these markets agreed formal flexi-working arrangements. The Group's remaining countries will transition over 2022 and 2023.

We continue to monitor feedback received and provide support to colleagues working both in the office, at home, or both. Plans are in place to collect insights from the programme in order to support leadership decisions. To identify ways to work more effectively, insights will be sought to understand how work is being performed in the new hybrid world and whether there is a correlation with performance, productivity, people and culture.

Redefining performance management

Similar to last year, there was no formulaic link between performance ratings and annual incentive outcomes for colleagues. People leaders continued to have the flexibility to adjust outcomes for individuals with very strong performance and for individuals whose performance fell short of expectations, with management reviews of decisions for fairness and consistency.

As we continue to transform the Group to achieve our strategic ambitions, we are making changes to the way we manage and recognise performance in 2022, to help create the culture needed for success. Our new approach to performance and talent management hinges upon continuous performance conversations and will further support our principle of clear communication of expectations and regular, real-time feedback. We will place greater emphasis on recognising outperformance driven by collaboration and innovation, encourage more flexibility and aspiration during goal setting and remove individual performance ratings. During 2021, we piloted facets of our new approach with a population of first adopters, which helped us refine the design and implementation.

Upskilling/reskilling

In today's rapidly changing world, we want to build a workforce for the future by enabling colleagues to develop their skills and their own career path in a more transparent, agile and inclusive way. To enable this, we have been experimenting with an internal virtual marketplace where colleagues can connect skills, experience and aspirations with suitable short-term, on-the-job learning opportunities, creating possibilities for upskilling and reskilling. We will roll out our internal virtual talent marketplace to the rest of the Group in 2022.

Wellbeing

Our ambition is to create a workplace and culture that has a positive impact on colleague wellbeing, enabling colleagues to manage their wellbeing proactively and bring their best selves to work.

Initiatives launched in the first year of our three-year wellbeing strategy have started to have a positive impact. The number of colleagues experiencing a high level of work-related stress reduced between 2019 and 2020, and nearly three-quarters of all colleagues feel comfortable sharing these concerns with their people leaders. To understand more about the cause of work-related stress, we introduced new questions into the 2021 engagement survey, enabling us to take further meaningful action.

In 2021 the following wellbeing initiatives were progressed:

- Launch of Mental Wellbeing Philosophy and Aspirations, to underpin our three-year wellbeing strategy, to support colleagues in developing the skills needed for the future, (e.g. building resilience, supporting others and inclusive leadership).
- Embedding Unmind, a digital application and platform that enables colleagues to assess their wellbeing needs and receive personalised recommendations and coaching on simple steps to develop healthier habits.
- Partnering with clinical psychiatrists and psychologists to launch the Building Resilience programme, helping colleagues to understand the neuroscience of common mental health issues, teaching how to build resilience to cope with disruption and rapid change.
- Expansion of the mental health first aider (MHFA) programme, increasing the number of trained MHFAs to offer in-country coverage to 98 per cent of the our colleagues.
- Launch of Wellbeing Experiments to spark fun, inclusion and collaboration around wellbeing at team level. The experiments align with our focus on preventative and proactive wellbeing support in order to create healthier and more sustainable habits for the future.
- Driving local initiatives through Wellbeing Weeks in countries and regions.

We are increasing the prominence of wellbeing further in 2022 with an emphasis on financial wellbeing initiatives. Priorities include encouraging uptake amongst colleagues of new and existing wellbeing programmes; further listening and measurement of initiatives through feedback channels; and increased localisation to maximise effectiveness in countries and regions.

Directors' remuneration in 2021

This section, which is subject to an advisory vote at the 2022 AGM, sets out how remuneration was delivered to the executive directors in 2021 under the remuneration policy approved by shareholders in 2019. It also sets out the 2021 fees paid to the Group Chairman and the independent non-executive directors (INEDs).

Annual incentive awards for the executive directors (audited)

Annual incentive awards for executive directors are based on the assessment of the Group scorecard and an assessment of individual performance. The Group scorecard is used for all eligible employees, including the executive directors, to maintain alignment and a shared sense of purpose.

For Bill and Andy, the Committee considered Group performance, individual performance, and risk, control and conduct-related matters (with input from Risk and other control functions). The Committee follows a three-step process for determining annual incentive awards.

1. **Consider eligibility:** The Committee considered that each director had exhibited an appropriate level of conduct and was deemed to have met the gateway requirement to be eligible for an incentive.
2. **Evaluate performance against the Group's scorecard:** The Group reported steady progress against both financial and strategic measures in the scorecard, demonstrating resilient performance throughout 2021 despite a challenging backdrop. Underlying profit before tax is up 55 per cent on 2020, helped by low levels of credit impairment and strong underlying business momentum. RoTE is up 300 basis points to 6.0 per cent and the Group's capital remains strong, with the CET1 ratio at 14.1 per cent, demonstrating resilience. Full details of the scorecard outcome can be seen on page 145.
3. **Assess personal performance and finalise awards:** As outlined in the policy, the Committee can make an upwards or downwards adjustment to the scorecard outcome for personal performance (usually in the range of +/- 10 per cent), consistent with the approach for other employees who are eligible to be considered for discretionary incentives. When considering whether such an adjustment is appropriate, the Committee considers areas of responsibility together with progress against key objectives for the year and personal contribution to the Group scorecard outcome.

Assessment of personal performance and finalised awards

Bill Winters

A summary of key achievements against Bill's personal objectives is set out as follows:

- Throughout the challenging circumstances of 2021, Bill has demonstrated exceptional leadership, navigating the Group and its colleagues through this uncertain period with skill and determination.
- Bill has delivered steady progress on financial performance, although it is noted that there is the need to continue to improve the RoTE to achieve a significantly better valuation. This should be accompanied by further strengthening of the Group's risk and control framework in light of the evolving landscape.
- Bill remains committed to the achievement of the Group's ambitious medium and long-term goals; a key priority for Bill during 2021 has been delivery against the strategic priorities. Progress has been made in pushing forward the agenda on our Stands and setting the roadmap for achieving our net zero ambition.
- Bill continues to drive innovation and collaboration, ensuring that new ways of working are becoming gradually embedded across the organisation to support this.
- During 2021, Bill has been focused on strengthening the Management Team through key strategic hires.
- Bill consistently role-models our valued behaviours in his interactions with the Management Team and Board. His transparency and loyalty inspire a shared sense of purpose and vision during challenging times.

The Committee determined that neither an upwards nor downwards adjustment to the overall Group scorecard outcome was appropriate for 2021. Bill's annual incentive is aligned with the Group scorecard outcome at 57 per cent of the maximum opportunity, which equates to £1,188,792 and is 46 per cent of fixed pay (15 per cent in 2020 and 44 per cent in 2019).

Andy Halford

A summary of key achievements against Andy's personal objectives is set out as follows:

- Andy has played an instrumental part in achieving steady progress across a range of financial and strategic objectives which has in turn enabled the Group to demonstrate resilient performance despite continuing adverse operational and economic challenges.
- Andy has been key to the delivery of new ways of working, enabling our drive for productivity by improving the synchronisation of financials with the concept of client-centred end-to-end processes.
- Andy continues to demonstrate strong leadership in the restructuring of the Group's legal entities and the delivery of a radical change programme within the Property function.
- Andy has supported structural improvements in Treasury management with further work planned.
- Andy has been a great partner to the Management Team, providing balanced perspectives across strategy, investment, productivity and transformation initiatives. Andy consistently demonstrates objectivity, transparency and integrity.
- Andy will continue to refine our dialogue with stakeholders to effectively communicate our strategy and execution progress. Consistent with that, Andy will continue to evolve internal performance measures to align with our strategic priorities.

The Committee considered Andy's performance against his key objectives in the year and areas for further improvement, determining that neither an upwards nor downwards adjustment to the overall Group scorecard outcome was appropriate for 2021. Andy's annual incentive is 57 per cent of the maximum opportunity, which equates to £759,924 and is 46 per cent of fixed pay (15 per cent in 2020 and 44 per cent in 2019).

Assessment of the 2021 Group scorecard

Financial measures[1]	Weighting	Threshold (0%)	Target	Maximum (100%)	Achievement	Outcome
Income	10%	$14.5bn	$15.1bn	$15.8bn	$14.7bn	2%
Costs	10%	$10.8bn	$10.4bn	$10.0bn	$10.3bn	5%
Operating profit	5%	$2.9bn	$3.2bn	$3.5bn	$3.9bn	5%
RoTE[2] with a CET1[3] underpin of the higher of 13% or the minimum regulatory requirement	20%	3.8%	4.3%	4.7%	6.0%	20%
Growth of high-quality liabilities[4]	5%	$5.3bn	$10.6bn	$15.9bn	$19.9bn	5%

Other strategic measures[5,6]	Weighting	Target	Assessment of achievement	Outcome
Clients (network, affluent, mass)	10%	• Improve client satisfaction rating • Deliver growth in qualified clients across Private Banking, Priority Banking and Premium Banking, and Wealth Management activity across top 11 affluent countries • Deliver network income growth in Corporate, Commercial & Institutional Banking • Deliver client growth in key digital partnerships, platforms and technologies	• Client satisfaction targets exceeded across all segments • Affluent growth slightly behind target due to slower growth in assets under management and Wealth Management active clients in Hong Kong and Taiwan • Slow Network income growth despite pipeline deals and tactical actions adopted to deepen network opportunities • Strong client growth in digital banking initiatives in Hong Kong and Africa offset by delays with launch of the Nexus e-commerce platform	5%
Sustainability	10%	• Progress against our Paris Agreement client commitment • Reduce and offset emission waste from flights, properties and suppliers	• Established the methodology and targets to support our path to net zero by 2050 • Strong performance in emission reduction largely driven by the impact of COVID-19 restrictions on flight and property emissions	7%
Enablers (innovation, new ways of working and people)	15%	• Drive culture of innovation to generate new revenues • Adopt new ways of working that result in quicker decision-making and delivery • Develop human capital by improving employee engagement and diversity and inclusion	• Innovation targets exceeded primarily due to successful partnerships (e.g. Ali Pay, Asia Miles), and new business proof of concepts • New ways of working and digital adoption targets exceeded, including the successful roll-out of the client onboarding portal, Chatbot and Digital Client Assist • Employee net promoter and inclusion metrics reduced in 2021 following the strong outcomes in 2020 during the onset of the pandemic • Senior female diversity of 30.7%, ahead of the 30% target	12%
Risk and controls	15%	• Maintain effective risk and control governance • Successfully deliver milestones within the cyber risk management plan	• Further improvement required on timeliness of risk treatment plans and related risk reduction • Good progress in cyber risk reduction, but some delays in achieving planned milestones	3%
Total	**100%**		**Total scorecard assessment**	**64%**

The Committee considered carefully risk, control and conduct matters, reviewing material issues and fines, including the penalty received from the PRA in respect of liquidity reporting issues. Considering all factors, the Committee determined that a reduction of 7 percentage points was appropriate, resulting in an outcome of 57% for the purposes of discretionary incentives.

Final Group scorecard outcome for determining annual incentives for executive directors and other employees **57%**

1 Total income and operating profit are on an underlying basis. Certain items are presented as restructuring and other items that are excluded from the underlying results of the Group. These are income, costs and impairment and resulting operating profit relating to identifiable business units, products or portfolios from the relevant dates that they have been approved for restructuring, disposal, wind-down or redundancy. This includes realised and unrealised gains and losses from management's decisions to dispose of assets, as well as residual income, direct costs and impairment of related legacy assets of those identifiable business units, products or portfolios. See Note 2 page 318

2 Underlying RoTE represents the ratio of the current year's profit available for distribution to ordinary shareholders, to the weighted average ordinary shareholders' equity less the average goodwill and intangibles for the reporting period. Underlying RoTE normally excludes regulatory fines but, for remuneration purposes, this would be subject to review by the Committee

3 The CET1 underpin was dynamically set at the higher of 13 per cent or the minimum regulatory level at 31 December 2021. In addition, the Committee has the discretion to take into account at the end of the performance period any changes in regulatory capital and risk-weighted asset requirements that might have been announced and implemented after the start of the performance period

4 Initiative that targets growth of efficient and regulatory friendly deposits to improve quality of our funding mix (liabilities) to support the Group's growth aspirations

5 A maximum/minimum performance threshold was set for each performance measure. For strategic measures, the Committee used its judgement to determine scorecard outcomes within this range (with a higher than 50 per cent outcome for performance above target and a lower than 50 per cent outcome for below target performance)

6 The Committee considered the performance against the ESG metrics within the people and purpose element of the annual incentive scorecard and 2019–21 LTIP strategic measures, as well as the Group's wider progress on ESG metrics, and determined that the outcomes were appropriate and that the incentive structures do not raise ESG risks by motivating irresponsible behaviour.

Performance outcome for 2019–21 LTIP awards (audited)

The single total figure of remuneration table shows that LTIP awards will vest in March 2022 with an estimated value of £696,000 and £445,000 for Bill and Andy, respectively. These LTIP awards were granted to Bill and Andy in 2019 with a face value of 120 per cent of fixed pay, to incentivise the continued execution of the strategy over the three-year period 2019 to 2021. The awards are share-based and subject to the satisfaction of stretching performance measures over three years. The conduct gateway requirement must be met before any awards vest. The awards are then subject to RoTE and relative TSR targets and a qualitative and quantitative assessment of the strategic measures.

The Committee concluded that Bill and Andy exhibited appropriate conduct during the performance period and therefore the conduct gateway was met. The threshold RoTE target has not been achieved and the relative TSR threshold target will be measured in March 2022 but is estimated not to have been achieved and, therefore, there will be no vesting of the 66.6 per cent of the awards subject to these measures.

The Committee considered performance against the proof points as set out in the table below and determined that the overall vesting of the LTIP would be 23 per cent. The table below sets out the performance required, the 2019–21 performance achieved and the LTIP vesting outcome. The share price used to estimate the value of vesting of the 2019–21 LTIP awards is lower than the share price on the award date of £6.11 and, therefore, the value attributable to share price growth is nil. The value of the awards vesting is reduced by 25 per cent when compared with the value at grant.

No discretion has been applied to the vesting outcome of the LTIP in respect of performance targets or share price movement. The awards will vest pro rata over 2022 to 2026 and the shares will be subject to a 12 month retention period post-vesting. Malus and clawback provisions apply.

Measure	Weighting	Performance for minimum vesting (25%)	Performance for maximum vesting (100%)	Assessment of achievement	Vesting outcome
RoTE[1] in 2021 with a CET1 underpin	One-third	8%	11%	RoTE 6.0% and CET1 14.1% therefore 0% vesting	0%
Relative TSR performance against peer group	One-third	Median	Upper quartile	Performance currently estimated below median. TSR performance will be measured in March 2022	0%
Strategic measures	One-third			Improved performance against our strategic priorities	23%
Total 2019–21 LTIP awards vesting outcome					**23%**

Strategic measure	Proof point	Assessment
Deliver our network and grow our affluent business	Improve client satisfaction rating	Client satisfaction metrics across Corporate, Commercial & Institutional Banking, Private Bank and Retail Bank have met or exceeded targets across each year of the plan
	Deliver client growth in target segments	Corporate, Commercial & Institutional Banking network income growth and affluent wealth outcomes were slightly behind targets across the three-year period
	Capitalise on China opportunities including through renminbi and mainland wealth growth	Strong performance in China with increased revenue and client growth, and maintained position as the number one ranked foreign bank for Bond Connect trading
	Develop Africa through digital growth, increasing the number of clients and improving client satisfaction	Harnessing of digital opportunities in Africa has led to increased client growth, including the creation of mobile investment options for mass and emerging affluent clients. Client satisfaction targets have been achieved
	Maintain credit quality	Targets exceeded, evaluated with reference to exposure originated over the period and the credit quality of new business
Transform and disrupt with digital	Use partnership, platforms and technologies to improve client experience	Launch of Nexus e-commerce platform delayed due to the impact of COVID-19. Strong performance in digital banking initiatives in Hong Kong and Africa
	Deliver progression through growth in digital volumes	Targets met for digitally initiated transactions in Corporate, Commercial & Institutional Banking. Targets exceeded for digital sales growth in Consumer, Private & Business Banking
Purpose and people	Enhance compliance and financial crime compliance controls	Continuing progress made including the increased use of technology, data and analytics in enhancing effective and sustainable financial crime compliance controls
	Successfully deliver cyber risk management plan milestones	Good progress in cyber risk reduction, but some delays in achieving planned milestones
	Develop human capital by improving diversity, employee engagement and culture of inclusion metrics and by delivering conduct plans	Employee net promoter and inclusion metrics have increased over the period despite a reduction from 2020 to 2021. Strong progress in senior female diversity which has increased to 30.7% in 2021

1 RoTE was based on profit attributed to ordinary shareholders, adjusted, on a tax-effected basis, for profits or losses of a capital nature, restructuring charges, amounts consequent to investment transactions driven by strategic intent and infrequent/exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period. The CET1 underpin was set at the higher of 13 per cent or the minimum regulatory level as at 31 December 2021 (taking into account any transition rules or material changes in regulatory rules)

Single total figure of remuneration for 2021 (audited)

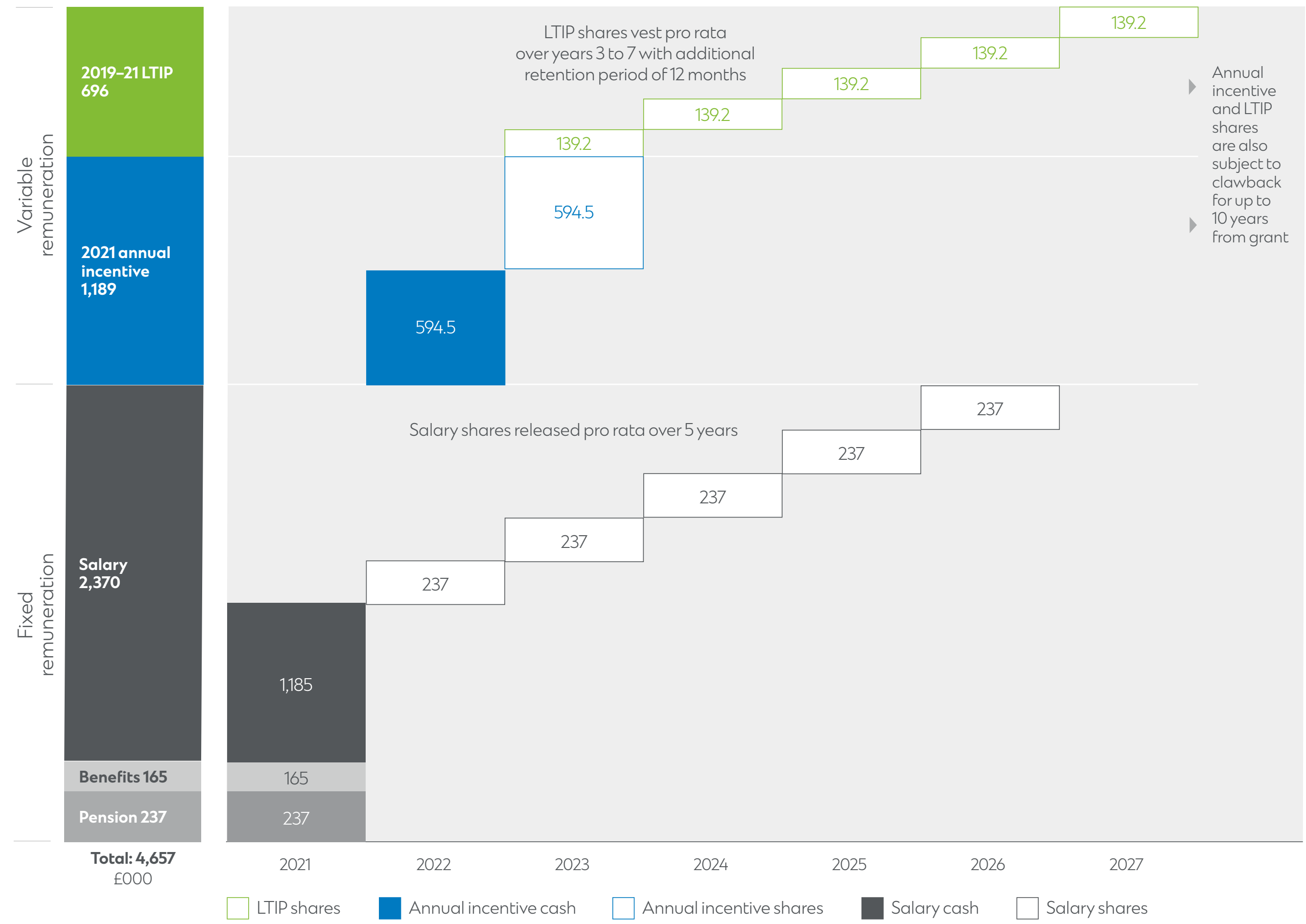
The following table sets out the single total figure of remuneration for 2021 for the CEO and the CFO. The single figure consists of salary, pension, benefits and annual incentives receivable in respect of 2021 and the estimated values of 2019–21 LTIP awards vesting. The LTIP value is based on the outcome of awards made in 2019 and does not include the forward-looking awards to be made in March 2022, in respect of 2021 performance and based on further three-year performance measures, due to vest in early 2025. The single figure for Bill and Andy represents a year-on-year increase of 19 and 21 per cent respectively, which partially reflects the impact of the executive directors' voluntary waiver of the cash element of their 2020 annual incentive, which reduced the award by 50 per cent.

	Bill Winters		Andy Halford	
£000	**2021**	2020	**2021**	2020
Salary	**2,370**	2,370	**1,515**	1,504
Pension	**237**	237	**152**	150
Benefits	**165**	225	**107**	113
Total fixed remuneration	**2,772**	2,832	**1,774**	1,767
Annual incentive award	**1,189**	386	**760**	246
Vesting of LTIP award				
Value of vesting awards based on performance	**696**	708	**445**	439
Value of vesting awards based on share price growth	**–**	–	**–**	–
Total variable remuneration	**1,885**	1,094	**1,205**	685
Single total figure of remuneration	**4,657**	3,926	**2,979**	2,452

Notes to the single total figure of remuneration table

Salary	• For executive directors part of salary is paid in cash and part is paid in shares, to align with shareholder interests. • The salary shares are subject to a retention period with 20 per cent released annually over a period of five years. • The number of shares allocated is determined by the monetary value and the prevailing market price of the Company's shares on the date of allocation. • Bill's salary is paid 50 per cent in cash and 50 per cent in shares and Andy's salary is paid 67 per cent in cash and 33 per cent in shares. • Andy's salary was increased three per cent effective 1 April 2020.
Pension	• Pension is set as a percentage of salary and can be delivered as a contribution to the UK pension fund or paid as a cash allowance. • Pension for Bill is delivered as a cash allowance and a £4,000 contribution to the UK pension fund, and for Andy the pension is delivered as a cash allowance. • In line with the UK Corporate Governance Code, only salary is pensionable.
Benefits	• The core benefits provided to executive directors and other UK employees are the same: private medical insurance, life assurance, income protection, accidental death and disability insurance and a cash benefits allowance. • Executive directors receive a lower cash benefits allowance than other UK employees as a percentage of their salary. In addition, Bill has the use of a vehicle and driver. In line with principle six of our Fair Pay Charter, this is a role-based provision given their executive role and the associated security and privacy requirements. • Executive directors occasionally use a private vehicle for travelling and their partners may travel to accompany attendance at Board or other similar events. The Group covers any tax liability that arises on these benefits. • Bill is entitled to a contribution to the preparation of his annual tax returns owing to the complexity of his tax affairs, in part due to travel requirements for Group business. • The benefits figures refer to UK tax years 2020/21 and 2019/20 respectively. • The decrease in Bill's benefits figure reflects a reduction in the use of a vehicle and driver in the 2020/21 tax year, partially offset by a payment for sale of holiday under our flexible benefits plan.
Fixed remuneration	• Fixed remuneration is the total of salary, pension and benefits.
Annual incentive	• Executive directors' annual incentive awards are delivered 50 per cent in cash and 50 per cent in shares, subject to a minimum 12 month retention period. • The detail of how directors' annual incentive awards are determined is set out on page 152. Awards are subject to clawback for up to 10 years. • The executive directors elected to voluntarily waive the cash element of their 2020 annual incentive which reduced the award by 50 per cent (£386,000 for Bill and £246,000 for Andy).
Vesting of LTIP awards	• The LTIP awards granted in March 2019 are due to vest in March 2022, based on performance over the years 2019 to 2021. Following an estimated assessment of the performance measures (RoTE with CET1 underpin, relative TSR and strategic measures), 23 per cent of these awards are expected to vest. The final assessment of relative TSR performance will be conducted in March 2022, the end of the three-year performance period. Based on a share price of £4.55, the three-month average to 31 December 2021, the estimated value to be delivered is £0.7m to Bill and £0.4m to Andy. The final value will be restated in the 2022 directors' remuneration report based on final TSR performance and the share price at vesting. Awards are subject to malus and clawback for up to 10 years from grant. Further details on the performance outcome for the 2019–21 LTIP are provided on page 154. • The value of the LTIP 2019–21 awards vesting is reduced by £238,000 and £152,000 for Bill and Andy, respectively, when compared with the value at grant. The values of the LTIP 2018–20 vesting awards for 2020 have been restated based on the actual share price of £5.03 when the awards vested in March 2021.

Bill Winters' 2021 single total figure of remuneration



Executive directors' shareholdings and share interests including share awards (audited)

Executive directors are required to hold a specified level of shares, to be built up over a reasonable time frame from the date of appointment as an executive director (or, if later, from the date of any change to the terms of the shareholding requirement). Shares that count towards the requirement are beneficially owned shares, including vested share awards subject to a retention period, and unvested share awards for which performance conditions have been satisfied (on a net-of-tax basis). The shareholding requirement for 2021 was expressed as a percentage of salary, set as 250 per cent of salary for the CEO and 200 per cent of salary for the CFO.

As of 31 December 2021, both Bill and Andy exceeded their shareholding requirement. Shares purchased voluntarily from their own funds are equivalent to 59 and 42 per cent of salary for Bill and Andy, respectively.

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 as a percentage of salary	Salary[2]	Value of shares counting towards shareholding requirement as a percentage of salary[1]	Unvested share awards subject to performance measures
B Winters	2,031,032	166,883	2,197,915	250%	£2,370,000	416%	2,223,907
A Halford	838,344	104,348	942,692	200%	£1,515,000	279%	1,406,768

1 All figures are as of 31 December 2021. There were no changes to any executive directors' interests in shares between 31 December 2021 and 16 February 2022. No director has either: (i) an interest in company preference shares or loan stocks of any subsidiary or associated undertaking of the Group; or (ii) any corporate interests in Company ordinary shares. The closing share price on 31 December 2021 was £4.484.

2 The beneficial interests of directors and connected persons in the shares of the Company are set out above. The executive directors do not have any non-beneficial interests in the Company's shares. None of the executive directors used shares as collateral for any loans.

3 The salary and shares held beneficially include shares awarded to deliver the executive directors' salary shares.

4 As Bill and Andy are both UK taxpayers: zero per cent tax is assumed to apply to Sharesave (as Sharesave is a UK tax qualified share plan) and 47 per cent tax is assumed to apply to other unvested share awards (marginal combined PAYE rate of income tax at 45 per cent and employee National Insurance contributions at two per cent) – rates may change.

LTIP awards for the executive directors to be granted in 2022

The size of the LTIP award has been determined on Group and individual performance during the year. Awards for the 2021 performance year will be granted to Bill and Andy in March 2022 with a value of 120 per cent of fixed pay (£3.1 million and £2.0 million, respectively), the maximum amount under the 2019 directors' remuneration policy. The amount that the executive directors will receive at the end of the three-year performance period will be based on the level of performance achieved against the performance measures and the future share price.

The performance measures and targets are aligned with our strategic priorities, and we have also incorporated measures that reflect our three Stands – our long-term ambitions on societal challenges: Accelerating Zero; Lifting Participation; Resetting Globalisation.

We are retaining the standalone sustainability measure introduced last year and increasing the focus on the broader impact of client activity, rather than on our internal operations. The sustainability measures have been selected carefully from our broader range of sustainability aspirations based on their level of impact for the Group and wider society and ability to drive financial returns in the medium term.

Details of the sustainability and other strategic measures and targets are shown in the table below and are disclosed prospectively, except where the internal targets are considered commercially sensitive. Details of achievement against targets will be disclosed retrospectively at the end of the performance period.

The RoTE target range for 2022–24 LTIP awards is 7 to 11 per cent which retains a 4 percentage point range as for the prior year award, but is further stretched by 1 percentage point at both the threshold and maximum target levels. This reflects the progress in RoTE achieved in 2021 and our target to deliver returns above 10 per cent in the medium term.

The peer group of companies selected for the calculation of the relative TSR performance are companies with generally comparable business activities, size or geographic spread to Standard Chartered or companies with which we compete for investor funds and talent. The peer group is intended to be representative of our geographic presence and business operations. The companies that make up the peer group are reviewed annually, prior to each new LTIP grant.

The TSR peer group for the 2022–24 LTIP awards will be the same as for the 2021–23 LTIP and is detailed below. TSR is measured in sterling for each company and the TSR data is averaged over a month at the start and end of the three-year measurement period which starts from the date of grant.

Remuneration regulations for UK banks prohibit the award of dividend equivalent shares on vesting. The number of shares awarded in respect of the LTIP will take into account the lack of dividend equivalents (calculated by reference to market consensus dividend yield) such that the overall market value of the award is maintained.

These awards will vest in five annual tranches beginning after the third anniversary of the grant (i.e. March 2025 to March 2029) subject to meeting the performance measures set out below at the end of 2024. All vested shares are subject to a 12 month retention period.

The performance measures for the 2022–24 LTIP awards are set out in the table below.

Performance measures for 2022–24 LTIP awards

Measure	Weighting	Amount vesting (as a % of total award)	Threshold performance target	Maximum performance target
1. RoTE[1] in 2024 with a CET1[2] underpin of the higher of 13% or the minimum regulatory requirement	30%	Maximum – 30% Threshold – 7.5% Below threshold – 0%	7%	11%
If RoTE reaches 7 per cent then 7.5 per cent of the award vests. If RoTE reaches 11 per cent then 30 per cent of the award vests. If RoTE is between the threshold and maximum, vesting is calculated on a straight-line basis between these two points.				
2. Relative TSR against the peer group	30%	Maximum – 30% Threshold – 7.5% Below threshold – 0%	Median	Upper quartile
Relative TSR is measured against a peer group of companies. If the Group's TSR performance is at least equivalent to the median ranked company then 7.5 per cent of the award vests. If the Group's TSR performance is at least equal to the upper quartile ranked company then 30 per cent of the award vests. Between these points, the Group's TSR is compared with that of the peer companies positioned immediately above and below it and straight-line vesting applies.				
3. Sustainability	15%	Maximum – 15% Minimum – 0%	• Implement roadmap to achieve aim of net zero by 2050 • Progress towards target of $300bn in green and transition finance between 2021 and 2030 aligned with our Green and Sustainable Product Framework and Transition Finance Framework • Progress on goal for clients in carbon-intensive industries to have a strategy to transition their business in line with the Paris Agreement	
4. Other strategic measures	25%	Maximum – 25% Minimum – 0%		
Stands			• Lift participation of small businesses through increasing access to financial services • Support companies to improve working and environmental standards	
Clients			• Improve client satisfaction rating evidenced in surveys and internal benchmarks • Deliver growth in affluent wealth client activity and increase the number of active personal clients • Deliver network income growth in Corporate, Commercial & Institutional Banking • Grow value of Digital Ventures	
Enablers (innovation, new ways of working and people)			• Improve proportion of new revenues • Increase senior female representation to 34% • Improve employee engagement and increase our culture of inclusion score (internal index) • Improve employee perception of innovation	
Risk and controls			• Improve effectiveness of risk and control governance • Successfully deliver milestones within the information and cyber security risk management plan	

1 Underlying RoTE represents the ratio of the current year's underlying operating profit attributable to ordinary shareholders to the weighted average ordinary shareholders' equity less the average goodwill and intangibles for the reporting period. Underlying RoTE normally excludes regulatory fines and certain other adjustments but, for remuneration purposes, such adjustments are subject to review by the Committee

2 The CET1 underpin will be dynamically set at the higher of 13 per cent or the minimum regulatory level as of 31 December 2024. In addition, the Committee has the discretion to take into account at the end of the performance period any changes in regulatory capital and risk-weighted asset requirements that might have been announced and implemented after the start of the performance period, for example, in relation to Basel IV

The peer group for the TSR measure in the 2022–24 LTIP is unchanged from the 2021–23 award and is set out below:

Banco Santander	Credit Suisse	KB Financial Group
Bank of America	DBS Group	Oversea Chinese Banking Corporation
Bank of China	Deutsche Bank	Société Générale
Bank of East Asia	HSBC	Standard Bank
Barclays	ICBC	State Bank of India
BNP Paribas	ICICI	UBS
Citigroup	JPMorgan Chase	United Overseas Bank

Total variable remuneration awarded to directors in respect of 2021 (audited)

	Bill Winters		Andy Halford	
	2021	2020	**2021**	2020
Annual incentive (£000)[1]	**1,189**	386	**760**	246
Annual incentive as a percentage of fixed pay	**46%**	15%	**46%**	15%
LTIP award (value of shares subject to performance conditions) (£000)	**3,128**	3,128	**2,000**	2,000
LTIP award as a percentage of fixed pay	**120%**	120%	**120%**	120%
Total variable remuneration (£000)	**4,317**	3,514	**2,760**	2,246
Total variable remuneration as a percentage of fixed pay	**166%**	135%	**166%**	135%

1 The 2020 annual incentive values reflect the voluntarily waivers of the cash element which reduced the awards by 50 per cent (£386,000 for Bill and £246,000 for Andy)

LTIP awards for the 2021 performance year will be granted to executive directors in March 2022 and are based on 2021 fixed pay.

Service contracts for executive directors

Copies of the executive directors' service contracts are available for inspection at the Group's registered office. These contracts have rolling 12 month notice periods and the dates of the executive directors' current service contracts are shown below.

The contracts were updated effective 1 January 2020 to reflect the changes made following the implementation of the 2019 remuneration policy and the change to pension contribution. Executive directors are permitted to hold non-executive directorship positions in other organisations. Where such appointments are agreed with the Board, the executive directors may retain any fees payable for their services. Both executive directors served as non-executive directors elsewhere and received fees for the period covered by this report as set out below.

	Date of Standard Chartered employment contract	Details of any non-executive directorship	Fees retained for any non-executive directorship (local currency)
Bill Winters	1 January 2020	Novartis International AG	CHF360,000
Andy Halford	1 January 2020	Marks and Spencer Group plc	£102,857

Single figure of remuneration for the Chairman and independent non-executive directors' (audited)

The Chairman and INEDs were paid in monthly instalments during the year. The INEDs are required to hold shares with a nominal value of $1,000. The table below shows the fees and benefits received by the Chairman and INEDs in 2021 and 2020. The INEDs' 2021 benefit figures are in respect of the 2020/21 tax year and the 2020 benefit figures are in respect of the 2019/20 tax year to provide consistency with the reporting of similar benefits in previous years and with those received by executive directors.

	Fees £000		Benefits £000[4]		Total £000		Shares beneficially held as at 31 December 2021[5]
	2021	2020	**2021**	2020	**2021**	2020	
Group Chairman							
J Viñals	**1,250**	1,250	**17**	43	**1,267**	1,293	**30,000**
Current INEDs							
D P Conner[1]	**255**	273	**1**	1	**256**	274	**10,000**
B E Grote	**170**	170	**–**	–	**170**	170	**90,041**
C M Hodgson, CBE	**325**	325	**–**	3	**325**	328	**2,571**
G Huey Evans, CBE	**200**	200	**–**	7	**200**	207	**2,615**
N Kheraj	**328**	360	**–**	4	**328**	364	**150,571**
N Okonjo-Iweala[2]	**23**	135	**1**	7	**24**	142	**–**
M Ramos[3]	**190**	–	**–**	–	**190**	–	**2,000**
P G Rivett	**225**	119	**–**	–	**225**	119	**2,128**
D Tang	**170**	144	**1**	5	**171**	149	**2,000**
C Tong	**205**	205	**–**	6	**205**	211	**2,000**
J M Whitbread	**210**	210	**–**	1	**210**	211	**3,615**

1 David Conner's fee includes his role on the Combined US Operations Risk Committee

2 Ngozi Okonjo-Iweala stepped down from the Board on 28 February 2021. Her reported fee for 2021 of £23,000 is in respect of the period of 1 January 2021 to 28 February 2021. Her benefits for 2021 of £900 are in respect of the period from 6 April 2020 to 28 February 2021, in line with the approach to disclose INED benefits in respect of the relevant tax year

3 Maria Ramos was appointed to the Board on 1 January 2021

4 The costs of benefits (and any associated tax costs) are paid by the Group

5 The beneficial interests of Chairman and INEDs, and connected persons in the 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 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 are as of 31 December 2021 or on the retirement of a director unless otherwise stated

Independent non-executive directors' letters of appointment

The INEDs have letters of appointment, which are available for inspection at the Group's registered office. Details of the INEDs' appointments are set out on pages 91 to 94. INEDs are appointed for a period of one year, unless terminated by either party with three months' notice.

Directors' remuneration policy

This section sets out the revised directors' remuneration policy which will be put forward to shareholders at the 2022 AGM for a binding vote and, if approved, will apply from 4 May 2022 for up to three years.

The current remuneration policy for executive directors, the Chairman and independent non-executive directors was approved at the AGM held on 8 May 2019 and has applied for three years from that date. The policy has continued to support the delivery of our strategy.

Changes made to the current policy since the 2019 shareholder vote

At the AGM in 2019 the directors' remuneration policy received the support of 64 per cent of shareholders. The Committee re-engaged with shareholders to seek feedback and address concerns relating to the pension allowance. Following these discussions, with effect from 1 January 2020 the pension allowance for the current executive directors was reduced from 20 per cent of salary to 10 per cent of salary, aligning with all UK employees. The subsequent directors' remuneration reports received support from shareholders of 97.0 per cent and 98.6 per cent of shareholders at the 2020 and 2021 AGMs respectively.

The Board and Committee conducted a detailed review of the policy in 2021 considering the views of stakeholders, the strategic objectives of the Group, the remuneration framework applicable to all colleagues, market benchmarking and best practice. Following careful consideration, the Committee decided to retain a broadly unchanged policy, making some small changes in order to align with market practice, increase shareholder alignment and reinforce sustained long-term focus on our strategic goals. Maintaining a similar policy will continue to support the delivery of the Group's purpose and strategy, reinforce the achievement of shareholder value creation, and ensure continued regulatory compliance.

To recognise shareholder views and further align with market practice, the pension allowance for new directors will be based on the cash element of salary only. The Committee considered carefully whether the pension allowance for the current directors should also be based on the cash element of salary only. However, the pension reductions in 2020 had a direct impact on the variable pay opportunity (8 per cent lower for both Bill and Andy), in addition to the reduction on fixed pay. Therefore, to avoid further reducing remuneration, for the current directors the pension is not changing and will continue to be based on the cash and share elements of salary.

The basis of calculation of variable remuneration will be re-expressed as a percentage of salary (cash and shares) only changing from a percentage of fixed pay (salary and pension). This is purely a presentational change with no impact on the value of opportunity.

The Committee Chair maintains regular contact with the Group's major shareholders on remuneration and informs the Committee of their views. In 2021, shareholders representing approximately 55 per cent of our share register and the main proxy advisory agencies were engaged to discuss the proposals for the new directors' remuneration policy. Consideration was given to the views expressed and the proposed policy reflects the feedback received.

The remuneration of the Group Chairman, executive directors, senior management and all colleagues was considered in the development of the refreshed policy. Alignment with the wider workforce and with Group-wide remuneration arrangements was critical in the development of the policy which is designed to reflect the Group's purpose as well as following the principles of our Fair Pay Charter which guides reward decisions.

During the review and development of the refreshed remuneration policy, no individual participated in decisions that would impact the determination of their own remuneration.

Proposed executive directors' remuneration policy

The proposed executive directors' remuneration policy, to be effective from the date of the Group's AGM on 4 May 2022, for up to three years, is set out below.

Fixed remuneration

Salary	
Changes	• No change to policy.
Purpose and link to strategy	• Set to reflect the role, and the skills and experience of the individual, following the Group-wide principles which apply to all employees.
Operation	• Delivered part in cash and part in shares. • To maintain alignment with shareholders, the share element is released over a period of five years (20 per cent annually). • Reviewed annually in line with the wider workforce with potential increases applying from April. • Salary for new executive directors will be subject to the same policy.
Maximum potential	• Increases may be made at the Committee's discretion to take account of circumstances such as: – increase in scope or responsibility – individual's development in role (e.g. for a new appointment where salary may be increased over time rather than set at the level of the previous incumbent or market level from appointment) – salary increases across the Group – alignment to market-competitive levels.
Alignment with UK workforce	• The process of setting and annually reviewing salaries against market information is in line with the approach for all employees. • For other employees, salary is delivered only as cash.
Pension	
Changes	• For new executive directors pension will be based on the cash element of salary only. This change is to recognise feedback from shareholders and to align with market practice. • For the current executive directors pension is not changing. This is to avoid a further reduction in fixed pay and variable pay opportunity following the reduction in pension implemented in 2020. • The maximum pension is being reduced from 20 per cent to 10 per cent, in line with implementation for the current executive directors since January 2020.
Purpose and link to strategy	• The pension arrangements comprise part of a competitive remuneration package and facilitate long-term retirement savings for executive directors.
Operation	• Paid as a cash allowance and/or contribution to a defined contribution scheme. • Pension contributions may also be made in lieu of any waived salary (and the cash amount of any annual incentive).
Maximum potential	• For current executive directors, 10 per cent of salary. • For new executive directors, 10 per cent of the cash element of salary only.
Alignment with UK workforce	• The contribution rate of 10 per cent of salary is aligned with UK employees.
Benefits	
Changes	• No change to policy.
Purpose and link to strategy	• A competitive benefits package to support executives to carry out their duties effectively.
Operation	• A range of benefits may be provided, including standard benefits such as holiday and sick pay, and may also include the provision of a benefits cash allowance, a car and driver (or other car-related service), private medical insurance, permanent health insurance, life insurance, financial advice and tax preparation and tax return assistance. • Additional benefits may also be provided where an executive director is relocated or spends a substantial portion of their time in more than one jurisdiction for business purposes. Benefits may include, but are not limited to, relocation, shipping and storage, housing allowance, education fees and tax and social security costs. • Other benefits may be offered if considered appropriate and reasonable by the Committee. • Executive directors are reimbursed for expenses, such as travel and subsistence, and any associated tax incurred in the performance of their duties. • The executive directors may be accompanied by their spouse or partner to meetings/events. In exceptional circumstances, the costs (and any associated tax) will be met by the Group.
Maximum potential	• The maximum opportunity for benefits will vary according to the market, individual circumstances and other factors. • Set at a level that the Committee considers appropriate based on the role and individual circumstances.
Alignment with UK workforce	• Core benefits are aligned with the approach for all employees. • Some additional, role-specific benefits are provided as appropriate based on the roles and responsibilities of the executive directors.

Variable remuneration

	Annual incentive	LTIP
Changes	• The basis for calculation of variable remuneration (annual incentives and LTIP awards) is changing from a percentage of fixed pay (salary and pension) to a percentage of salary only. This does not impact the total quantum opportunity. This is to align with market practice and to recognise feedback from shareholders.	
	• This is a change from a maximum of 80 per cent of fixed pay to 88 per cent of salary.	• This is a change from a maximum of 120 per cent of fixed pay to 132 per cent of salary.
Purpose and link to strategy	• Incentivise performance linked to the Group's strategy and aligned to shareholder interests.	
Operation	• Annual incentive awards are determined based on Group and individual performance over the preceding financial year. • Annual incentives are delivered as a combination of cash and shares subject to holding requirements and deferred shares.	• LTIP awards are granted annually with performance of the Group and of the individual considered in determining the award level. • LTIP awards will be subject to long-term performance measures, measured over a period of at least three years. • LTIP awards are delivered in shares and are subject to holding requirements.
	• Deferral and vesting of the annual and long-term incentive awards are structured so that, in combination: – The proportion of variable remuneration that is deferred is no less than required by the relevant remuneration regulations (currently 60 per cent). – The deferred remuneration vests no faster than permitted under the relevant remuneration regulations (currently pro rata over years three to seven after award). • The Committee can, in specified circumstances, apply malus or clawback to all or part of annual incentive and/or any LTIP awards. Details on how malus and clawback operate currently are provided on page 176. • Deferred annual incentive awards and LTIP awards will be granted as conditional share awards or nil-cost options. • On the occurrence of corporate events and other reorganisation events, the Committee may apply discretion to adjust: – the vesting of deferred annual incentive awards and/or the number of shares underlying a deferred annual incentive award – the vesting of LTIP awards and/or the number of shares underlying an LTIP award.	
Maximum potential	• The maximum value of an annual incentive award granted to any executive director cannot exceed 88 per cent of that executive director's salary (cash and shares).	• The maximum value of an LTIP award granted to any executive director cannot exceed 132 per cent of that executive director's salary (cash and shares). • For this purpose, LTIP awards may be valued in line with the relevant remuneration regulations.
	• The maximum value of the combined annual incentive opportunity and LTIP award cannot exceed regulatory limits. • Variable remuneration awards can be any amount from zero to the maximum.	
Performance measures	• The determination of an executive director's annual incentive is made by the Committee based on an assessment of a balanced Group scorecard containing a mix of financial and other long-term strategic measures and personal performance. Financial measures will comprise at least 50 per cent of the annual scorecard. • The targets, together with an assessment of performance against those targets, will be disclosed retrospectively. • The Committee will review the scorecard annually and may vary the measures, weightings and targets each year. • Discretion may be exercised by the Committee to ensure that the annual incentive outcome is a fair and accurate reflection of business and individual performance and any risk-related issues (but it will not exceed the maximum opportunity).	• The long-term performance measures may be a mix of financial measures and other long-term strategic measures. • Financial measures will comprise at least 50 per cent of the performance measures. Weightings and targets will be set in advance of each grant by the Committee and disclosed prospectively, and performance against those measures will be disclosed retrospectively. • For financial measures, vesting will be on a sliding-scale basis between threshold and maximum with no more than 25 per cent vesting at threshold performance.
Alignment with UK workforce	• The annual incentive plan is operated for all employees, paid in cash to certain limits with the remaining balance deferred over at least three years in shares and/or cash.	• Members of the Management Team are also eligible for LTIP awards, assessed on the same performance measures and targets.

Other

Shareholding requirements	
Changes	• No change to policy.
Purpose and link to strategy	• A requirement for executive directors to hold a specified value of shares for alignment with the interests of shareholders during employment.
Operation	• Executive directors are required to hold a specified level of shares, to be built up over a reasonable time frame from the date of appointment as an executive director (or, if later, from the date of any changes to the terms of the shareholding requirement). • The shareholding requirement is expressed as a percentage of salary and is reviewed by the Committee as appropriate. • Shares that count towards the requirement are beneficially owned shares including the share element of salary, vested share awards subject to a retention period and unvested share awards for which performance conditions have been satisfied (on a net-of-tax basis). • On implementation of the policy, in 2022, the CEO and the CFO will be required to hold 250 per cent and 200 per cent of salary in shares, respectively.
Alignment with UK workforce	• Formal shareholding requirements are operated for the executive directors only • However, other employees may hold shares as part of the deferral and retention requirements
Sharesave	
Changes	• No change to policy.
Purpose and link to strategy	• Provides an opportunity for all employees to invest voluntarily in the Group.
Operation	• Sharesave is an all-employee plan where participants (including executive directors) are able to open a savings contract to fund the exercise of an option over shares. • Savings per month of between £5 and the maximum set by the Group which is currently £250. • The option price is set at a discount of up to 20 per cent of the share price at the date of invitation, or such other discount as may be determined by the Committee. • An equivalent cash or share plan is offered in some countries where Sharesave may not be offered (typically due to tax, regulatory or securities law issues).
Alignment with UK workforce	• All employees are eligible to participate on the same basis.
Legacy arrangements	
Changes	• No change to policy.
Purpose and link to strategy	• Honour existing commitments.
Operation	• Any previous commitments or arrangements entered into with current or former executive directors will be honoured, including remuneration arrangements entered into under the previously approved directors' remuneration policy.
External roles	
Changes	• No change to policy.
Purpose and link to strategy	• To encourage self-development and allow for the introduction of external insight and practice.
Operation	• Executive directors may accept appointments in other organisations subject to relevant Board approval. Executive directors tend to be limited to one non-executive directorship in another listed company. Fees may be retained by the executive director.

Executive directors' policy on recruitment

The Committee's approach to recruitment is to attract diverse experience and expertise by paying competitive remuneration that reflects our international nature and enables us to attract and retain key talent from a global marketplace. Any new executive director's remuneration package would include the same elements and be subject to the same variable remuneration maximums as those for the existing executive directors with the exception of the pension provision. The policy is summarised below.

Element	Details
Salary	Set to reflect the role and the skills and experience of the candidate. Salary is delivered part in cash and part in shares with the shares being released to the executive director in equal tranches over five years.
Benefits	Dependent on circumstances but in line with the policy on page 161.
Pension	10 per cent of the cash element of salary.
Variable remuneration	Dependent on circumstances but in line with the policy on page 162 and regulatory limits.
Shareholding requirements	In line with the policy on page 163.
Buy-out awards	• The Committee may consider buying out forfeited remuneration and forfeited opportunities and/or compensating for losses incurred as a result of joining the Group subject to proof of forfeiture or loss. • The value of any buy-out award will not exceed, in broad terms, the value of the remuneration forfeited. • Any award will be structured within the requirements of the applicable remuneration regulations, and will be no more generous overall than the remuneration forfeited in terms of the existence of performance measures, timing of vesting and form of delivery. • The value of buy-out awards is not included within the maximum variable remuneration level where it relates to forfeited remuneration from a previous role or employer.
Legacy matters	Where a senior executive is promoted to the Board, his or her existing contractual commitments agreed prior to their appointment may still be honoured in accordance with the terms of the relevant commitment, including vesting of any pre-existing deferred or long-term incentive awards.

Notes to the remuneration policy for executive directors

Committee's judgement and discretion

In addition to assessing performance and making judgements on the appropriate levels of annual incentive awards and LTIP awards, the Committee has certain operational discretions that it may exercise when considering executive directors' remuneration, including but not limited to:

i. determining whether a leaver is an eligible leaver under the Group's share plans and treatment of remuneration arrangements

ii. amending LTIP performance measures following a corporate event to ensure a fair and consistent assessment of performance

iii. deciding whether to apply malus or clawback to an award.

Ability for the Committee to amend the policy for emerging and future regulatory requirements

The Committee retains the discretion to make reasonable and proportionate changes to the remuneration policy if the Committee considers this appropriate in order to respond to changing legal or regulatory requirements or guidelines (including but not limited to any FCA or PRA revisions to its remuneration rules and any changes to regulations caused by, or following, the UK leaving the European Union). This includes the ability to make administrative changes to benefit the operation of the remuneration policy and/or to implement such changes ahead of any formal effective date, ensuring timely compliance. Where proposed changes are considered by the Committee to be material, the Group will engage with its major shareholders and any changes would be formally incorporated into the policy when it is next put to shareholders for approval.

Executive directors' policy on contracts, outside appointments and payments on loss of office

Executive directors' service contracts	
Changes	• No change to policy.
Purpose and link to strategy	• Maximum of 12 months' notice from the company and the executive director.
Operation	• May be required to work and/or serve a period of garden leave during the notice period and/or may be paid in lieu of notice if not required to remain in employment for the whole notice period.
Compensation for loss of office in service contracts	
Changes	• No change to policy.
Purpose and link to strategy	• Dependent on an individual's contract but in any event no more than 12 months' salary, pension and benefits.
Operation	• Payable quarterly (other than the share element of salary which is released annually) and subject to mitigation if the executive director seeks alternative employment. • Not in addition to any payment in lieu of notice or if the individual remains in employment for the whole notice period. • In the event of a settlement agreement, the Committee may make payments it considers reasonable in settlement of potential legal claims, including potential entitlement to compensation in respect of statutory rights under employment protection legislation. • The Committee may also include in such payments reasonable reimbursement of professional fees, such as legal fees and tax advice (and any associated tax), in connection with such arrangements. Career transition support may also be provided.
Treatment of variable remuneration on termination	
Changes	• No change to policy.
Purpose and link to strategy	• Variable remuneration is awarded at the Committee's discretion.
Operation	• Eligible leavers (as determined by the Committee) may be eligible for variable remuneration although there is no automatic entitlement. • The Committee has discretion to reduce the entitlement of an eligible leaver in line with performance and the circumstances of the termination. • On a change of control, the amount is pro rata to the period of service during the year. The Committee may alter the performance period, measures and targets to ensure the performance measures remain relevant but challenging.
Treatment of unvested awards on termination under the share plan rules	
Changes	• No change to policy.
Purpose and link to strategy	• The Committee has the discretion under the relevant plan rules to determine how eligible leaver status should be applied on termination. • The current approach is that eligible leaver status will generally be given in cases such as death, disability, retirement and redundancy. Discretion is applied as to awarding eligible leaver status in cases of mutual separation. • In addition, eligible leaver status will be given (other than in cases of termination for cause) where the date of termination is five years or more after the date of grant.
Operation	• For eligible leavers, awards not subject to long-term performance measures vest in full over the original timescale and remain subject to the Group's clawback arrangements. The Committee has discretion to reduce the level of vesting. • Awards subject to long-term performance measures will vest subject to those performance measures and on a pro rata basis (reflecting the proportion of the relevant financial performance period that the executive director has been employed) and remain subject to the Group's clawback arrangements. • Vesting may be subject to non-solicit and non-compete requirements. • Awards lapse for employees not designated eligible leavers. • On a change of control, awards become exercisable and vest to the extent performance measures are met (either at the change of control or later). The Committee may allow awards to continue or roll-over in agreement with the acquirer, taking into account the circumstances, and may alter the performance period, measures and targets to ensure the performance measures remain relevant. • The Committee has the flexibility to disapply time proration on the vesting of LTIP awards in certain circumstances, assessed on a case-by-case basis, taking into account all of the circumstances at that time. The following minimum criteria need to be met before the Committee can consider using this flexibility: – The executive director has more than five years' service on the Board. – The executive director is retiring from full-time employment in financial services and comparable roles in other industries. – The executive director has demonstrated satisfactory conduct and has achieved their performance objectives. – A clear, Board-approved, handover plan is in place to transition to an identified successor. • If the flexibility were to be used, there would be no LTIP award in the final year of employment or additional payments in lieu of notice. • If an individual leaves and subsequently takes up an executive role, unvested awards that had proration disapplied will lapse and the executive will be expected to re-pay any vested awards.

Post-employment shareholding requirement	
Changes	• To align with shareholder guidance and market practice, the post-employment shareholding requirement is increasing to 100 per cent of the shareholding requirement for two years following the cessation of employment. The requirement in the previous policy was 100 per cent of the shareholding requirement for one year and 50 per cent of the requirement for the second year following the cessation of employment.
Purpose and link to strategy	• To align executive directors' interests with the Group's long-term strategy and the interests of shareholders following employment there is a requirement for executive directors to hold a specified value of shares after they have left the employment of the Group.
Operation	• On cessation of employment executive directors will be required to hold 100 per cent of the shareholding requirement in place for two years (or, if lower, the actual shareholding on departure).

Chairman and independent non-executive directors' remuneration policy

The Board has reviewed the remuneration policy for independent non-executive directors (INEDs) and determined there would be no change to the fee structure.

Fees	
Changes	• No change to policy.
Purpose and link to strategy	• Attract a Chairman and INEDs who, together with the Board as a whole, have a broad range of skills and experience to determine Group strategy and oversee its implementation.
Operation	• The INEDs are paid fees for chairmanship and membership of Board committees and for the Deputy Chairman and Senior Independent Director roles. • Fees are paid in cash or shares. Post-tax fees may be used to acquire shares. • The Chairman and INED fees are reviewed periodically. The Board sets INED fees and the Committee sets the Chairman's fees. The Chairman and INEDs excuse themselves from any discussion on their fees. • INEDs may also receive fees as directors of subsidiaries of Standard Chartered PLC, to the extent permitted by regulation. • Overall aggregate base fees paid to the Chairman and all INEDs will remain within the limit stated in the Articles of Association (currently £1.5 million per annum). • Fees are set at a level which reflect the duties, time commitment and contribution expected from the Chairman and INEDs. • Fees are reviewed and appropriately positioned against those for the Chairman and INEDs in banks and other companies of a similar scale and complexity. • There are no recovery provisions or performance measures.
Benefits	
Changes	• No change to policy.
Purpose and link to strategy	• Appropriate benefits package to support the Chairman and INEDs to carry out their duties effectively.
Operation	• The Chairman is provided with benefits associated with the role, including a car and driver and private medical insurance, permanent health insurance and life insurance. Any tax costs associated with these benefits are paid by the Group. Any future Chairman based outside of the UK may receive assistance with their relocation consistent with the support offered to individuals under the Group's international mobility policies. • The Chairman and INEDs are reimbursed for expenses, such as travel and subsistence (and including any associated tax), incurred in the performance of their duties, and may receive tax preparation and tax return assistance. • In exceptional circumstances the Chairman and INEDs may be accompanied by their spouse or partner to meetings or events. The costs (and any associated tax) are paid by the Group.

Approach on recruitment for Chairman or INEDs

Fees and benefits for a new Chairman or INED will be in line with the Chairman and independent non-executive directors' remuneration policy.

Service contracts and policy on payment for loss of office for the Chairman and INEDs

Chairman	The Chairman is provided a notice period of up to 12 months and is entitled to a payment in lieu of notice in respect of any unexpired part of the notice period at the point of termination.
INEDs	INEDs are appointed for a period of one year unless terminated earlier by either party with three months' written notice. No entitlement to the payment of fees or provision of benefits continues beyond termination of the appointment and INEDs are not entitled to any payments for loss of office (other than entitlements under contract law, such as a payment in lieu of notice if notice is not served).

2022 policy implementation for directors

Remuneration for the executive directors in 2022 will be in line with our new directors' remuneration policy as detailed on pages 161 to 166 of this report, subject to shareholder approval at the May 2022 AGM.

The 2022 policy is also set out on our website: **sc.com**

The key elements of remuneration for 2022 include salary (delivered in cash and shares), pension, benefits, an annual incentive and an LTIP award. A portion of the executive directors' salaries is paid in shares to strengthen shareholder alignment. Bill's pension is delivered as a contribution to a defined contribution plan and as a cash allowance. Andy's pension is delivered as a cash allowance. The pension allowance is set as a percentage of salary (both the cash and shares components).

The Committee reviews the salaries of the executive directors on an annual basis, after considering any changes to the scope or responsibility of the role, the individual's development in the role, alignment with market-competitive levels, and consideration of the average salary increases made across the Group.

Taking into account the average 2022 salary increase awarded to the Group's UK and global workforce, the Committee determined to increase salary for Bill from £2,370,000 to £2,434,000 and to increase salary for Andy from £1,515,000 to £1,556,000 (increases of 2.7 per cent), effective from 1 April 2022.

Details of fixed pay for Bill and Andy with effect from 1 April 2022 are set out below.

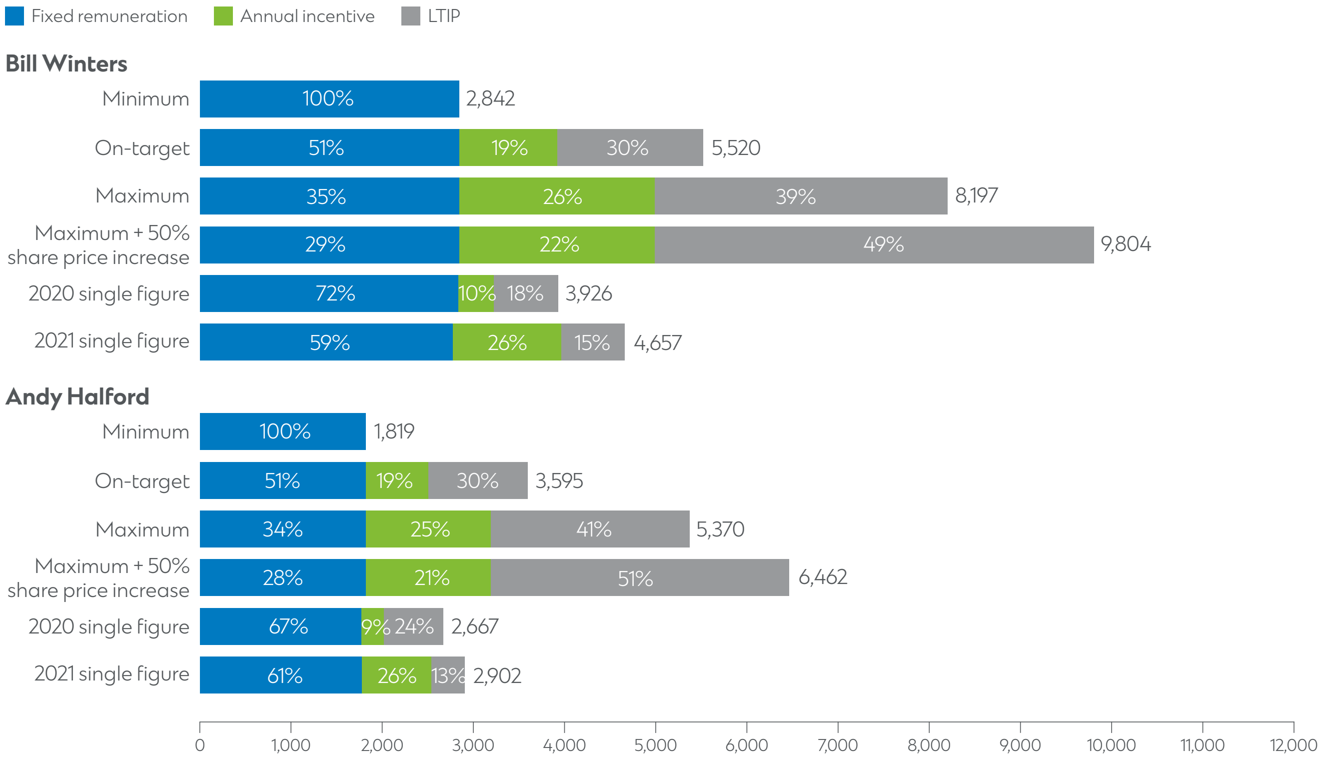
	Bill Winters			Andy Halford		
£000	**2022**	2021	% change	**2022**	2021	% change
Salary	**2,434**	2,370	2.7	**1,556**	1,515	2.7
of which cash	**1,217**	1,185	2.7	**1,043**	1,015	2.7
of which shares	**1,217**	1,185	2.7	**513**	500	2.7
Pension	**243**	237	2.7	**156**	151	2.7
Total fixed pay	**2,677**	2,607	2.7	**1,712**	1,666	2.7
Proportion of total fixed pay paid in cash	**55%**	55%	0	**70%**	70%	0
Proportion of total fixed pay paid in shares	**45%**	45%	0	**30%**	30%	0

Illustration of application of the 2022 remuneration policy

The charts below illustrate the potential outcomes under the proposed directors' remuneration policy being put to shareholders for approval at the AGM in May 2022 (i.e. for awards that would be made in March 2023, based on 2022 performance and fixed remuneration with effect from 1 April 2022).

The charts show potential remuneration outcomes for each executive director in four performance scenarios: minimum, on-target, maximum and maximum with 50 per cent share price appreciation, in line with reporting requirements. The percentages shown in each bar represent the amount of remuneration provided by each element of pay. Also shown are the 2020 and 2021 single total figures of remuneration for Bill and Andy.

Executive director remuneration (£000)



Definitions for the chart on page 167 showing potential remuneration outcomes for each executive director in four performance scenarios:

Fixed remuneration	**All scenarios**	• Consists of total fixed remuneration – salary, benefits and pension • Salary – salary as of 1 April 2022 • Benefits – based on 2021 single figure, actual fixed remuneration in 2022 will be dependent on the cost of benefits • Pension – 10 per cent of salary as of 1 April 2022
Incentives	**Minimum**	• No annual incentive is awarded • No LTIP award vests
	On-target	• Annual incentive of 50 per cent of target (44 per cent of salary) • LTIP award vests at 50 per cent total award (66 per cent of salary)
	Maximum	• Annual incentive of 100 per cent of target (88 per cent of salary) • LTIP award vests at 100 per cent total award (132 per cent of salary)
	Maximum + 50% share price increase	• Annual incentive of 100 per cent of target (88 per cent of salary) • LTIP award vests at 100 per cent total award (132 per cent of salary) • 50 per cent share price appreciation in the value of the vested LTIP award since time of grant
2020 single figure	**Fixed remuneration**	• Salary – received in 2020 • Benefits – received in 2019/20 tax year • Pension – contribution/cash allowance received in 2020
	Incentives	• Annual incentive – received in respect of 2020 performance year (50 per cent cash portion waived) • LTIP – vesting of 2018–20 LTIP award
2021 single figure	**Fixed remuneration**	• Salary – received in 2021 • Benefits – received in 2020/21 tax year • Pension – contribution/cash allowance received in 2021
	Incentives	• Annual incentive – received in respect of 2021 performance year • LTIP – vesting of 2019–21 LTIP award

Independent non-executive director fees

The fee levels are based on market data and the duties, time commitments and contribution expected for the PLC Board and, where appropriate, subsidiary boards. The Chairman and the INEDs are eligible for benefits in line with the directors' remuneration policy. Neither the Chairman or the INEDs receive any performance-related remuneration.

	1 January 2021 £000	1 January 2022 £000
Group Chairman[1]	1,250	1,250
Board Member	105	105
Additional responsibilities		
Deputy Chairman	75	75
Senior Independent Director	40	40
Chair		
Audit Committee	70	70
Board Risk Committee	70	70
Remuneration Committee	70	70
Board Financial Crime Risk Committee	60	60
Culture and Sustainability Committee	60	60
Membership		
Audit Committee	35	35
Board Risk Committee	35	35
Remuneration Committee	30	30
Board Financial Crime Risk Committee	30	30
Culture and Sustainability Committee	30	30
Governance and Nomination Committee	15	15

1 The Group Chairman receives a standalone fee which is inclusive of all services (e.g. Board and Committee responsibilities)

2022 annual incentive scorecard

Our annual incentive scorecard reflects our strategic priorities, refreshed at the beginning of 2021. The targets are set annually by the Committee and take into account the Group's annual financial plan and strategic priorities for the next few years which reflect the evolving macroeconomic outlook. The Committee will also consider progress demonstrated against the Stands in the determination of the overall scorecard outcome.

For 2022, to simplify the process, the Committee has determined to embed the assessment of personal performance into the annual incentive scorecard assessment, accounting for a maximum weighting of 10 per cent. Financial measures continue to make up 50 per cent of the annual incentive scorecard. Previously, personal performance was assessed independently following the assessment of the scorecard when the Committee could apply an adjustment of +/- 10 percentage points to the award outcome. Strategic and personal measures are assessed by the Committee using a quantitative and qualitative framework.

The Committee considers such targets to be commercially sensitive and that it would be detrimental to the interests of the Group to disclose them before the end of the financial year. As such, targets will be disclosed retrospectively in the 2022 Annual Report alongside the level of performance achieved.

Step 1: Conduct gateway requirement to be met in order to be eligible for any annual incentive

Appropriate level of individual valued behaviours and conduct exhibited during the course of the year

Step 2: Measurement of performance against financial and other strategic and personal measures

Financial measures	Weighting	Target
Income[1]	10%	• Targets to be disclosed retrospectively
Costs	10%	
Operating profit	5%	
RoTE[2] with a CET1[3] underpin of the higher of 13% or the minimum regulatory requirement	20%	
Growth of high-quality liabilities mix[4]	5%	
Other strategic measures	**Weighting**	**Target**
Clients (network, affluent, mass, ventures)	12%	• Improve client satisfaction and client experience rating • Deliver growth in qualified clients across Affluent, Private Banking, and Wealth Management activity across top 11 affluent countries and increase the number of active personal clients • Deliver network income growth in Corporate, Commercial & Institutional Banking • Grow value of Digital Ventures
Sustainability	8%	• Progress against the Group's aim to achieve net zero by 2050 • Improve community engagement through employee volunteering participation
Enablers (innovation, new ways of working and people)	8%	• Grow proportion of digitally initiated transactions and digital sales adoption • Improve end-to-end speed to deliver change (from idea formation to commercialisation) • Develop human capital by improving employee engagement, diversity and inclusion
Risk and controls	12%	• Improve risk and control governance effectiveness • Successfully deliver milestones within the information and cyber risk management plan
Personal performance measures	**Weighting**	**Target**
Individual objectives	10%	• For Bill, this includes executing plans to accelerate the delivery of key financial targets and maintaining focus on innovation and our core business products • For Andy, this includes development of the Resolvability Assessment Framework and evolving internal performance measures to align with our strategic priorities

1 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

2 Underlying RoTE represents the ratio of the current year's underlying operating profit attributable to ordinary shareholders to the weighted average ordinary shareholders' equity less the average goodwill and intangibles for the reporting period. Underlying RoTE normally excludes regulatory fines and certain other adjustments but, for remuneration purposes, such adjustments are subject to review by the Committee

3 The CET1 underpin will be dynamically set at the higher of 13 per cent or the minimum regulatory level as at 31 December 2022. In addition, the Committee has the discretion to take into account at the end of the performance period any changes in regulatory capital and risk-weighted asset requirements that might have been announced and implemented after the start of the performance period

How does our directors' remuneration policy address the key features set out in the UK Corporate Governance Code?

Risk

- The Committee considers risk adjustment in respect of the Group scorecard and has a track record of applying discretion appropriately.
- The rules of the LTIP give the Committee the necessary discretion to adjust vesting outcomes if it considers that they are inconsistent with underlying business performance.
- We operate malus and clawback in respect of our annual incentive and LTIP.
- We set the incentives of employees in Audit, Risk and Compliance functions independently of the businesses they oversee.

Alignment with culture

- Performance metrics used to determine incentive outcomes directly align with our business strategy.
- In line with our Fair Pay Charter, our incentive plans support us in embedding a performance-orientated culture and our principle that colleagues should share in the success of the Group. Our scorecard includes financial and strategic measures and all employees' performance is assessed by what is achieved and how it is achieved in line with our valued behaviours.
- In combination with our risk procedures, our remuneration structure ensures that our valued behaviours are appropriately recognised and rewarded.

Proportionality

- In line with our commitment to pay for performance, a significant proportion of executive director pay is delivered through incentives based on performance metrics aligned with our strategy.
- Executive directors are further aligned with long-term shareholder interests through the deferred release of salary, annual incentive and LTIP share awards over a period of one to eight years with incentive awards also being subject to clawback for up to 10 years from grant.
- Additional shareholding requirements are in place for executive directors to build and maintain a significant shareholding in Company shares while in employment and post-employment for two years. Both executive directors currently exceed the shareholding requirements.

Predictability

- The range of possible rewards to individual executive directors is set out in the scenario charts on page 167 where we also demonstrate the impact of a 50 per cent share price appreciation over the three-year performance period of the LTIP.
- Maximum awards levels under all incentives are capped at two times fixed pay. Other than vesting levels which are driven by performance outcomes, the only source of variation in final payouts is the fact that a significant part of incentive awards is delivered in shares and linked to the share price.

Simplicity and clarity

- Simplicity is a key driver for the structure of our executive pay as far as possible, notwithstanding the complexity of operating as a UK regulated bank.
- Additional information is included on the alignment of executive and wider workforce pay on page 147 in support of our commitment to clarity.

Additional remuneration disclosures

The following disclosures provide further information and context in relation to executive director remuneration and remuneration for the wider workforce as required by company reporting regulations, corporate governance guidance and institutional investor guidelines. These include the Directors' Remuneration Report Regulations, the UK Corporate Governance Code, Pillar 3 disclosure requirements and the requirements of The Stock Exchange of Hong Kong Limited.

Appropriateness of executive directors' remuneration

Our approach to remuneration is consistent for all employees and is designed to help ensure pay is competitive and in line with the principles of our Fair Pay Charter. Remuneration for the executive directors, in line with other employees, is reviewed annually against internal and external measures to ensure that levels are appropriate. Further details on the alignment of executive director and wider workforce remuneration is set out on page 147.

Measure	Approach
External market data	• We compete for talent in a global marketplace, with many of our key competitors based outside the UK. We review executive director fixed and variable remuneration levels against a peer group of UK and international banks to ensure that it remains appropriately competitive. Market data used in benchmarking is based on the latest published report and accounts. • In addition, we consider their remuneration against FTSE30 companies, with data sourced from an external provider.
Internal measures	• As with all employees, executive directors' salaries are reviewed annually in line with the Group-wide salary increase principles. In addition, we review annually the year-on-year percentage change in remuneration for the executive directors and the wider employee population. • Our incentive plans have a clear link to Group and business performance, through published scorecards. The same Group scorecard is set to determine incentives for colleagues including the executive directors. • Incentive decisions for colleagues, including the executive directors, are driven by the assessment of individual performance including achievements against personal objectives and conduct. • The remuneration structure for executive directors was considered as part of the broader directors' remuneration policy review during 2021, taking account of the remuneration framework applicable to all colleagues.
CEO pay ratio	• In line with UK regulations, we annually report pay ratios comparing CEO remuneration to all UK employees. • We review year-on-year ratio changes to understand the reasons and appropriateness for such movements. • In addition, we review the median ratio against UK FTSE and industry peer averages.

The relationship between the remuneration of the Group CEO and all UK employees

Ratio of the total remuneration of the CEO to that of the UK lower quartile, median and upper quartile employees

		CEO	UK employee – £000			Pay ratio		
Year	Method	£000	P25	P50	P75	P25	P50	P75
2021	A	4,657	92	139	215	51:1	34:1	22:1
2020	A	3,926	84	128	199	46:1	31:1	20:1
2019	A	5,360	83	128	212	65:1	42:1	25:1
2018	A	6,287	78	124	208	80:1	51:1	30:1
2017	A	4,683	76	121	203	61:1	39:1	23:1

It is expected that the ratio will depend materially on long-term incentive outcomes each year, and accordingly may fluctuate. Therefore, the Committee also discloses the pay ratios covering salary and salary plus annual incentive, as UK employees are eligible to be considered for an annual incentive based on Group, business and individual performance. These show a more consistent ratio over time.

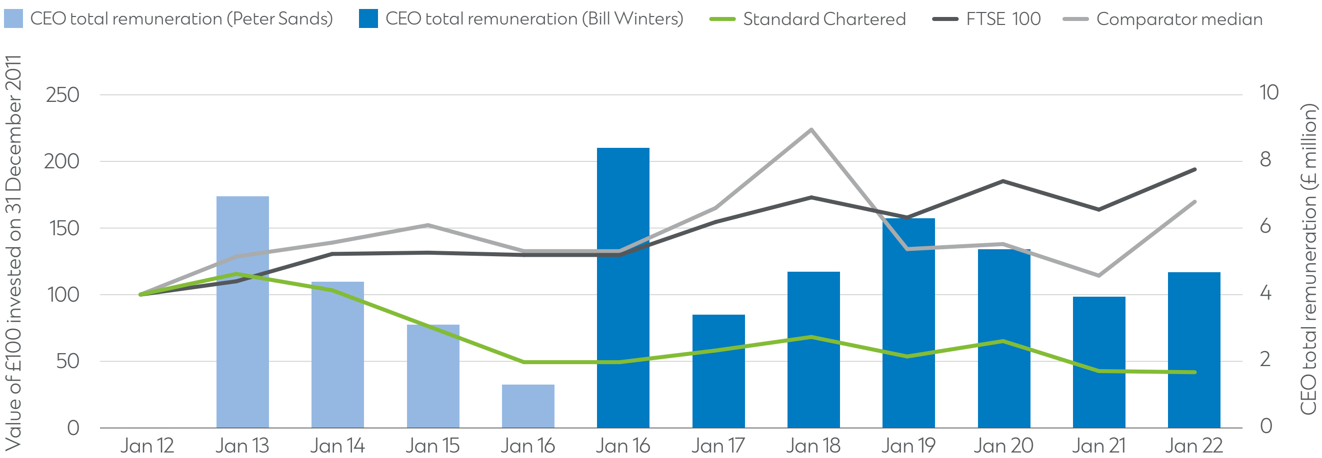
Additional ratios of pay based on salary and salary plus annual incentive

	CEO	UK employee – £000			Pay ratio		
Salary	£000	P25	P50	P75	P25	P50	P75
2021	2,370	68	100	136	35:1	24:1	17:1
2020	2,370	63	93	116	38:1	25:1	20:1
2019	2,353	65	90	128	36:1	26:1	18:1
2018	2,300	59	86	142	39:1	27:1	16:1
2017	2,300	55	81	124	42:1	28:1	19:1
Salary plus annual incentive							
2021	3,559	79	122	186	45:1	29:1	19:1
2020	2,756	74	104	175	37:1	26:1	16:1
2019	3,604	73	109	187	49:1	33:1	19:1
2018	3,691	72	105	183	52:1	35:1	20:1
2017	3,978	69	103	182	58:1	39:1	22:1

- The pay ratios are calculated using Option A published methodology, in line with investor guidance.
- Employee pay data is based on full-time equivalent pay for UK employees as of 31 December for the relevant year and excludes leavers, joiners, and employee transfers in or out of the UK during the year, to help ensure data is on a like-for-like basis. Total pay is calculated in line with the single figure methodology (i.e. fixed remuneration accrued during the financial year and variable remuneration relating to the performance year) and data for insured benefits are based on notional premia. No other calculation adjustments or assumptions have been made.
- CEO pay is as per the single total figure of remuneration for 2021 and restated for 2020 to take account of the actual LTIP vesting in 2021. Further information on the single total figure is on page 155. The 2021 ratio will be restated in the 2022 directors' remuneration report to take account of the final LTIP vesting data for eligible employees and for the CEO.
- The Committee has considered the data for the three individuals identified at the lower quartile, median and upper quartile for 2021 and believes that it is a fair reflection of pay among the UK employee population. Each of the individuals identified was a full-time employee during the year and received remuneration in line with the Group remuneration policy, and none received exceptional pay.
- Our LTIP is intended to link total remuneration to the achievement of the Group's long-term strategy and to reinforce alignment between executive remuneration and shareholder interest. Participation is typically senior employees who have line of sight to influence directly the performance targets on the awards. The lower quartile, median and upper quartile employees identified this year are not participants in the LTIP.
- The year-on-year increase is due to the CEO receiving a higher annual incentive for 2021 (57 per cent of maximum compared with the reduced award of 18.5 per cent in 2020 following the voluntary waiver of the cash portion).

Group performance versus the CEO's remuneration

The graph below shows the Group's TSR performance on a cumulative basis over the past 10 years alongside that of the FTSE 100 and peer banks. The graph also shows historical levels of remuneration of the CEO over the 10 years ended 31 December 2020 for comparison. The FTSE 100 provides a broad comparison group against which shareholders may measure their relative returns.



The table below shows the single figure of total remuneration for the CEO since 2012 and the variable remuneration delivered as a percentage of maximum opportunity.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	**2021**
Single figure of total remuneration £000										
Peter Sands (CEO until 10 June 2015)	6,951	4,378	3,093	1,290	–	–	–	–	–	**–**
Bill Winters (appointed CEO on 10 June 2015)	–	–	–	8,399	3,392	4,683	6,287	5,360	3,926	**4,657**
Annual incentive as a percentage of maximum opportunity										
Peter Sands	63%	50%	0%	0%	–	–	–	–	–	**–**
Bill Winters	–	–	–	0%	45%	76%	63%	55%	18.5%	**57%**
Vesting of LTIP awards as a percentage of maximum opportunity										
Peter Sands	77%	33%	10%	0%	0%	–	–	–	–	**–**
Bill Winters	–	–	–	–	–	–	27%	38%	26%	**23%**

- Bill's single figure of total remuneration in 2015 includes his buyout award of £6.5 million to compensate for the forfeiture of share interests on joining from his previous employment.
- The 2020 single figure for Bill has been restated based on the actual vesting and share price when the 2018–20 LTIP awards vested in March 2021.

Annual percentage change in remuneration of directors and employees

UK percentage change in remuneration

In line with our Fair Pay Charter, we monitor year-on-year changes between the movement in salary, benefits and annual incentives for the CEO between performance years compared with the wider workforce. As required under the Shareholder Rights Directive (part of UK Companies regulations), we compare the directors of the PLC Board against an average full-time equivalent UK employee. The regulations require this analysis to be undertaken for all individuals employed by Standard Chartered PLC (the parent company). As no individuals are employed by Standard Chartered PLC (they are employed by legal entities which sit below the parent company), we voluntarily disclose the comparisons against UK employees as we feel this provides a representative comparison.

	Salary/fees % change		Taxable benefits % change		Annual incentive % change[1]	
	2021	2020	**2021**	2020	**2021**	2020
CEO B Winters	**0.0**	0.7	**(26.5)**	(2.9)	**208.1**	(69.2)
CFO A Halford	**0.7**	3.7	**(5.6)**	30.2	**208.9**	(68.2)
Group Chairman J Viñals	**0.0**	0.0	**(61.5)**	(11.7)	**–**	–
Current INEDs						
D P Conner	**(6.7)**	(0.6)	**5.9**	(57.5)	**–**	–
B E Grote	**0.0**	0.0	**0.0**	0.0	**–**	–
C M Hodgson, CBE	**0.0**	0.0	**(100.0)**	28.2	**–**	–
G Huey Evans, CBE	**0.0**	0.0	**(100.0)**	233.9	**–**	–
N Kheraj	**(9.0)**	0.0	**(100.0)**	7.9	**–**	–
N Okonjo-Iweala[2]	**–**	0.0	**–**	63.6	**–**	–
M Ramos[2]	**–**	–	**–**	–	**–**	–
P G Rivett[3]	**–**	–	**–**	–	**–**	–
D Tang	**18.3**	–	**(82.3)**	–	**–**	–
C Tong	**0.0**	–	**(100.0)**	–	**–**	–
J M Whitbread	**0.0**	0.0	**(100.0)**	(49.2)	**–**	–
Workforce Average FTE UK employee[4, 5, 6]	**3.1**	3.8	**(2.0)**	2.9	**38.2**	(22.1)

1 The increases in annual incentives for Bill Winters and Andy Halford are reflective of the impact of the voluntary waiver of the cash element of their 2020 annual incentives, which reduced the awards by 50 per cent

2 In 2021: Ngozi Okonjo-Iweala stepped down from the Board on 28 February and Maria Ramos was appointed to the Board on 1 January

3 In 2020: Phil Rivett was appointed to the Board on 6 May

4 Employee data is based on full-time equivalent pay for UK employees as of 31 December of the relevant year. This data excludes leavers, joiners and employee transfers in or out of the UK during the year to help ensure data is on a like-for-like basis. Salary percentage change reflects increases decided at the end of 2020 and implemented in 2021

5 Average FTE UK employee percentage change has been calculated on a mean basis. As the employee population will change yearly and the mean average considers the full range of data, it is expected this will provide a more consistent year-on-year comparison. Any percentage changes impacted by extremes at either end of the data set will be explained in the supporting commentary

6 The reduction in taxable benefits for UK employees reflects the impact of leavers during 2021, who would have typically received higher legacy benefits arrangements. On a matched sample basis, benefits increased by 1.6 per cent year-on-year

For the CEO and CFO and the Group Chairman and INEDs, the data the changes relate to are set out on pages 155 and 159, respectively. The change in taxable benefits relates to the change in the values for the 2020/21 and 2019/20 tax years.

Due to the low value of the taxable benefits received by INEDs, which have not exceeded £1,000 in 2021 (set out on page 159), small changes to these values are expected to cause the percentage change to fluctuate year-on-year.

Scheme interests awarded, exercised and lapsed during the year

Employees, including executive directors, are not permitted to engage in any personal investment strategies with regards to their Company shares, including hedging against the share price of Company 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 33% – Strategic	Yes	5	50% tranche 1 12.5% tranches 2-5	27%
2017–19		Yes	5	5 equal tranches	38%
2018–20		No	5		26%
2019–21	33% – RoTE 33% – TSR 33% – Strategic	No	5		23%
2020–22		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 prohibited the award of dividend equivalent shares. 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

Change in interests during the period 1 January to 31 December 2021 (audited)

	Share award price (£)	As of 1 January	Awarded[1]	Dividends awarded[2]	Exercised[3]	Lapsed	**As of 31 December**	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
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 Winters: £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 (further details are included in Note 31, Share-based payments on pages 403 to 407)

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 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 of 31 December 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 Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Shareholder dilution

All awards vesting under the Group's share plans are satisfied by the transfer of existing shares or, where appropriate, the issuance of new shares. The Group's share plans contain monitored limits that govern both the aggregate amount of awards that may be granted and the amount of shares that may be issued to satisfy any subsequent exercise of awards. These limits are in line with those stated in the Investment Association's Principles of Remuneration and the terms of our listing on The Stock Exchange of Hong Kong Limited.

The Group has two employee benefit trusts that are administered by independent trustees and which hold shares to meet various obligations under the Group's share plans. As each executive director is within the class of beneficiary of these trusts, they are deemed, for the purposes of the Companies Act 2006, to have an interest in the trusts' shares.

Details of the trusts' shareholdings are set out in Note 28 to the financial statements on **page 392**

Historical LTIP awards

The current position on vesting for unvested LTIP awards from the 2019 and 2020 performance years based on current performance and share price as of 31 December 2021 is set out in the tables below. The TSR peer group for both awards is as set out on page 158.

Current position on the 2020–22 LTIP award: projected partial vesting

Measure	Weighting	Performance for minimum vesting (25%)	Performance for maximum vesting (100%)	2020–22 LTIP assessment as of 31 December 2021
RoTE in 2022 plus CET1 underpin of the higher of 13% or the minimum regulatory requirement	33%	8.5%	11.0%	RoTE below threshold therefore indicative 0% vesting
Relative TSR performance against the peer group	33%	Median	Upper quartile	TSR positioned below the median therefore indicative 0% vesting
Strategic measures	33%	Targets set for strategic measures linked to the business strategy		Tracking above target performance therefore indicative partial vesting

Current position on the 2021–23 LTIP award: projected partial vesting

Measure	Weighting	Performance for minimum vesting (25%)	Performance for maximum vesting (100%)	2021–23 LTIP assessment as of 31 December 2021
RoTE in 2023 plus CET1 underpin of the higher of 13% or the minimum regulatory requirement	30%	6.0%	10.0%	RoTE at threshold therefore indicative partial vesting
Relative TSR performance against the peer group	30%	Median	Upper quartile	TSR positioned below the median therefore indicative 0% vesting
Sustainability	15%	Targets set for sustainability measures linked to the business strategy		Tracking above target performance therefore indicative partial vesting
Strategic measures	25%	Targets set for strategic measures linked to the business strategy		Tracking above target performance therefore indicative partial vesting

The Committee assesses the value of LTIP awards on vesting and has the flexibility to adjust if the formulaic outcome is not considered to be an appropriate reflection of the performance achieved and to avoid windfall gains.

The approach used to determine Group-wide total discretionary incentives in 2021 is explained on page 142 of this report. The following tables show the income statement charge for these incentives.

Income statement charge for Group discretionary incentives

	2021 $m	2020 $m
Total discretionary incentives	**1,367**	990
Less: deferred discretionary incentives that will be charges in future years	**(195)**	(129)
Plus: current year charge for deferred discretionary incentives from prior years	**124**	122
Total	**1,296**	983

Year in which income statement is expected to reflect deferred discretionary incentives	Actual		Expected	
	2020 $m	2021 $m	2022 $m	2023 and beyond $m
Discretionary incentives deferred from 2019 and earlier	101	**59**	28	17
Discretionary incentives deferred from 2020	43	**48**	30	26
Discretionary incentives deferred from 2021	–	**64**	89	106
Total	144	**171**	147	149

Allocation of the Group's earnings between stakeholders

When considering Group variable remuneration, the Committee takes account of shareholders' concerns about relative expenditure on pay and determines the allocation of earnings to expenditure on remuneration carefully, and has approached this allocation in a disciplined way over the past five years. The table below shows the distribution of earnings between stakeholders over the past five years. The amount of corporate tax, including the bank levy, is included in the table because it is a significant payment and illustrates the Group's contribution through the tax system.

	Actual					Allocation				
	2021 $m	2020 $m	2019 $m	2018 $m	2017 $m	2021 %	2020 %	2019 %	2018 %	2017 %
Staff costs	**7,668**	6,886	7,122	7,074	6,758	**84**	85	74	75	83
Corporate taxation including levy	**1,138**	1,193	1,720	1,763	1,367	**12**	15	18	19	17
Paid to shareholders in dividends	**375**	0	720	561	0	**4**	0	8	6	0

Approach to risk adjustment

Individual remuneration is aligned with our long-term interests and the time frame over which financial risks crystallise:

- For relevant colleagues, a proportion of variable remuneration is delivered in the form of awards that are deferred for a sufficient period of time during which risk adjustments can be applied.
- The ability to apply performance adjustment through the reduction in the value of any deferred variable remuneration award through non-vesting due to performance considerations and share price movement over the deferral period.

The operation of in-year adjustments, malus and clawback is summarised in the following table:

	Criteria includes	Application
Individual level	• Deemed to have: (i) caused in full or in part a material loss for the Group as a result of reckless, negligent or wilful actions, or (ii) exhibited inappropriate behaviours, or (iii) applied a lack of appropriate supervision and due diligence • The individual failed to meet appropriate standards of fitness and propriety	• In-year adjustment, malus and clawback may be applied to all or part of an award at the Committee's discretion
Business unit and/or Group level	• Material restatement of the Group's financials • Significant failure in risk management • Discovery of endemic problems in financial reporting • Financial losses, due to a material breach of regulatory guidelines • The exercise of regulatory or government action to recapitalise the Group following material financial losses	• In-year adjustment, malus and clawback may be applied to all or part of an award at the Committee's discretion

Pillar 3 disclosures on material risk takers' remuneration and disclosures on the highest paid employees

Identification of material risk takers

Individuals have been identified as material risk takers in accordance with the quantitative and qualitative criteria set out in the European Banking Authority's Regulatory Technical Standard (EU 604/2014 adopted by the PRA that came into force in June 2014) and the Remuneration Part of the PRA Rulebook in which updated identification criteria relating to the Capital Requirements Directive V have been transposed. Material risk takers are identified on a: (i) Standard Chartered PLC (Group); and (ii) solo level consolidated entities under Standard Chartered Bank UK (Solo) basis.

Quantitative criteria

The quantitative criteria identify employees who:

- have been awarded total remuneration of £658,000 or more in the previous financial year
- are within the 0.3 per cent of the number of employees on a Group or Solo basis who have been awarded the highest total remuneration in the preceding financial year
- were awarded total remuneration in the preceding financial year that was equal to or greater than the lowest total remuneration awarded that year to certain specified groups of employees.

Employees identified by only the quantitative criteria can be excluded from being designated as material risk takers if it can be evidenced that they do not have the ability to have a material impact on the risk profile of the Group or the Solo entity.

Qualitative criteria

The qualitative criteria broadly identifies the following employees:

- directors (both executive and non-executive) of Standard Chartered PLC
- a member of senior management, which is defined as one or more of the following:
  - a senior manager under the PRA or FCA Senior Manager Regime
  - a member of the Group Management Team and the Solo Management Team
- the level beneath the Management Teams
- senior employees within the Audit, Compliance, Legal and Risk functions
- senior employees within material business units
- employees who are members of specific committees
- employees who are able to initiate or approve Credit Risk exposures above a certain threshold and sign off on trading book transactions at or above a specific value at risk limit.

For the purpose of the Pillar 3 tables on pages 178 and 180, unless otherwise stated, senior management is defined as directors of Standard Chartered PLC (both executive and non-executive), senior managers under the PRA or FCA Senior Manager Regime and members of the Group Management Team.

Material risk takers' remuneration delivery

Remuneration for material risk takers was delivered in 2021 through a combination of salary, pension, benefits and variable remuneration.

Variable remuneration for material risk takers is structured in line with the PRA and FCA's remuneration rules. For the 2021 performance year, the following structure applies:

- At least 40 per cent of a material risk taker's variable remuneration will be deferred over a minimum period of four years depending on the category of material risk taker.
- Non-deferred variable remuneration will be delivered 50 per cent in shares, subject to a minimum 12 month retention period, and 50 per cent in cash.
- At least 50 per cent of deferred variable remuneration will be delivered entirely in shares, subject to a minimum 12 month retention period (with the exception of deferred shares awarded to risk managers, which are subject to a six month minimum retention period in line with the regulations).
- For some material risk takers, part of their 2021 variable remuneration may be in share awards which vest after a minimum of four years, subject to the satisfaction of performance measures.
- Variable remuneration awards are subject to remuneration adjustment provisions. This provides the Group with the ability to reduce or revoke variable remuneration in respect of a risk, control or conduct issue, event or behaviour.
- Material risk takers are subject to a 2:1 maximum ratio of variable to fixed remuneration.

Material risk takers' deferred variable remuneration delivery

	Year 0 (grant) March 2022	Year 1 March 2023	Year 2 March 2024	Year 3 March 2025	Year 4 March 2026	Year 5 March 2027	Year 6 March 2028	Year 7 March 2029
Senior managers		Minimum of 40% of 2021 variable remuneration						
Risk managers[1]								
Higher paid		Minimum of 40% of 2021 variable remuneration						
Non-higher paid		Minimum of 40% of 2021 variable remuneration						
Other material risk takers[2]		Minimum of 40% of 2021 variable remuneration						

1 Material risk takers with 2021 total remuneration equal to or greater than £500,000 or with variable compensation equal to or greater than 33 per cent of total remuneration are classified as 'higher paid'. Material risk takers below this threshold are classified as 'non-higher paid'

2 Deferral is five years for 'other material risk takers' who are: i) higher paid; and ii) members or chairs of relevant risk committees

Material risk takers' deferred remuneration in 2021

	Senior management $000			All other material risk takers $000		
	Total	Cash	Shares	**Total**	Cash	Shares
Start of the year (1 January):						
Unvested	**114,643**	16,011	98,632	**351,097**	126,793	224,304
Vested and unexercised	**–**	–	–	**7,380**	–	7,380
Impact of changes to material risk taker population including leavers during 2020 and joiners in 2021	**(3,995)**	(1,769)	(2,226)	**(21,569)**	(11,303)	(10,266)
Start of the year (1 January) (after adjustments):						
Unvested	**110,648**	14,242	96,406	**330,027**	115,490	214,537
Vested and unexercised	**–**	–	–	**6,881**	–	6,881
Awarded during the year	**34,906**	2,858	32,048	**140,888**	52,268	88,620
Total reduction during the year due to malus or clawback; or performance measures not being met	**(15,138)**	–	(15,138)	**(36,474)**	(2,026)	(34,448)
Total deferred remuneration paid out in the financial year	**(10,358)**	(1,225)	(9,133)	**(121,907)**	(44,868)	(77,039)
Close of the year (31 December):						
Unvested	**120,058**	15,875	104,183	**314,135**	120,864	193,271
Vested and unexercised	**–**	–	–	**5,280**	–	5,280

Material risk takers' 2021 fixed and variable remuneration

	Senior management $000	All other material risk takers $000
Fixed remuneration[1]		
Number of employees	28	608
Total fixed remuneration	39,094	322,917
Cash-based	36,768	322,917
Of which deferred	–	–
Shares or other share-linked instruments	2,325	–
Of which deferred	–	–
Other forms	–	–
Of which deferred	–	–
Variable remuneration[2,3]		
Number of employees	17	547
Total variable remuneration	50,584	272,218
Cash-based	17,007	138,735
Of which deferred	7,435	66,858
Shares or other share-linked instruments	33,577	133,483
Of which deferred	24,006	66,761
Other forms	–	–
Of which deferred	–	–
Total remuneration	**89,678**	**595,134**

1 Fixed remuneration includes salary, cash allowances, benefits and pension, in the case of the Chairman and INEDs, any fees

2 For some material risk takers, part of their 2021 variable remuneration may be delivered in share awards, with vesting subject to performance measures. These awards are shown on a face value basis. As the Chairman and INEDs are not eligible to receive variable remuneration they are not included in this data

3 The ratio between fixed and variable remuneration for all material risk takers in 2021 was 1:0.89

Material risk takers' aggregate 2021 remuneration by business

	Corporate, Commercial & Institutional Banking $000	Consumer, Private[1] & Business Banking $000	Central management & other[2] $000
2021	**351,769**	**50,030**	**283,013**

1 Private Banking includes Wealth Management

2 Central management & other includes Group executive directors, the Chairman, INEDs, control functions, support functions and central roles

Material risk takers' sign-on and severance payments in 2021

	Senior management		All other material risk takers	
	Number of employees	Total amount $000	Number of employees	Total amount employees $000
Sign-on payments	**–**	**–**	**–**	**–**
Guaranteed incentives	**1**	**2,683**	**1**	**116**
Severance payments	**–**	**–**	**–**	**–**

Remuneration at or above EUR1 million

The table below is prepared in accordance with Article 450 of the EU Capital Requirements Regulation as it forms part of UK domestic law.

Remuneration band EUR	Number of employees
1,000,000–1,500,000	96
1,500,001–2,000,000	40
2,000,001–2,500,000	13
2,500,001–3,000,000	10
3,000,001–3,500,000	3
3,500,001–4,000,000	3
4,000,001–4,500,000	4
4,500,001–5,000,000	1
5,000,001–5,500,000	2
5,500,001–6,000,000	–
6,000,001–6,500,000	–
6,500,001–7,000,000	–
7,000,001–7,500,000	–
7,500,001–8,000,000	–
8,000,001–8,500,000	1
8,500,001–9,000,000	1
9,000,001–9,500,000	–
9,500,001–10,000,000	–
10,000,001–10,500,000	1
Total	**175**

Remuneration of the five highest paid individuals and the remuneration of senior management

In line with the requirements of The Stock Exchange of Hong Kong Limited, the following table sets out, on an aggregate basis, the annual remuneration of: (i) the five highest paid employees; and (ii) senior management for the year ended 31 December 2021.

Components of remuneration	Five highest paid[1] $000	Senior management[2] $000
Salary, cash allowances and benefits in kind	16,710	25,594
Pension contributions	561	1,441
Variable remuneration awards paid or receivable	26,494	41,697
Payments made on appointment	–	999
Remuneration for loss of office (contractual or other)	–	–
Other	–	–
Total	**43,765**	**69,732**
Total HKD equivalent	**34,070**	**541,848**

1 The five highest paid individuals include Bill Winters

2 Senior management comprises the executive directors and the members of the Group Management Team at any point during 2021

The table below shows the emoluments of: (i) the five highest paid employees; and (ii) senior management for the year ended 31 December 2021.

		Number of employees	
Remuneration band HKD	Remuneration band USD equivalent	Five highest paid	Senior management[1]
21,000,001–21,500,000	2,702,564–2,766,910	–	1
23,500,001–24,000,000	3,024,297–3,088,644	–	1
25,000,001–25,500,000	3,217,338–3,281,684	–	1
26,000,001–26,500,000	3,346,031–3,410,378	–	1
26,500,001–27,000,000	3,410,378–3,474,725	–	1
27,500,001–28,000,000	3,539,071–3,603,418	–	1
30,500,001–31,000,000	3,925,152–3,989,499	–	1
36,000,001–36,500,000	4,632,966–4,697,313	–	1
36,500,001–37,000,000	4,697,313–4,761,660	–	1
39,500,001–40,000,000	5,083,394–5,147,740	–	1
46,000,001–46,500,000	5,919,901–5,984,248	–	1
47,000,001–47,500,000	6,048,595–6,112,941	1	–
48,000,001–48,500,000	6,177,288–6,241,635	1	1
75,500,001–76,000,000	9,716,360–9,780,706	1	1
77,000,001–77,500,000	9,909,400–9,973,747	1	1
91,000,001–91,500,000	11,711,109–11,775,456	1	–
Total		**5**	**14**

1 Senior management comprises the executive directors and the members of the Group Management Team at any point during 2021

The exchange rates used in this report

Unless an alternative exchange rate is detailed in the notes to the relevant table, the exchange rates used to convert the disclosures to US dollars are set out in the table below.

	2021	2020
EUR	**0.8421**	0.8827
GBP	**0.7246**	0.7833
HKD	**7.7704**	7.7563

Christine Hodgson
Chair of the Remuneration Committee

17 February 2022

Other disclosures

The Directors' report for the year ended 31 December 2021 comprises pages 90 to 191 of this report (together with the sections of the Annual Report incorporated by reference). The Company has chosen, in accordance with section 414C(11) of the Companies Act 2006, and as noted in this Directors' report, to include certain matters in its Strategic report that would otherwise be disclosed in this Directors' report. Both the Strategic report and the Directors' report have been drawn up and presented in accordance with English company law, and the liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law. Other information to be disclosed in the Directors' report is given in this section. In addition to the requirements set out in the Disclosure Guidance and Transparency Rules relating to the Annual Report, information required by UK Listing Rule 9.8.4 to be included in the Annual Report, where applicable, is set out in the table below and cross-referenced.

Information to be included in the Annual Report (UK Listing Rules 9.8.4)

Relevant Listing Rule	Pages
LR 9.8.4 (1) (2) (5-14) (A) (B)	N/A
LR 9.8.4 (4)	154, 157 and 158

Principal activities

We are a leading international banking group, with over 160 years of history in some of the world's most dynamic markets. Our purpose is to drive commerce and prosperity through our unique diversity. The Group's roots in trade finance and commercial banking have been at the core of its success throughout its history, but the Group is now more broadly based across Consumer, Private and Business Banking in its footprint markets in Asia, Africa and the Middle East. The Group operates in the UK and overseas through a number of subsidiaries, branches and offices.

Further details on our business, including key performance indicators, can be found within the **Strategic report** on pages 1 to 30.

Fair, balanced and understandable

On behalf of the Board, the Audit Committee has reviewed the Annual Report and the process by which the Group believes that the Annual Report, is fair, balanced and understandable and provides the information necessary for shareholders to assess the position and performance, strategy and business model of the Group. Following its review, the Audit Committee has advised the Board that such a statement can be made in the Annual Report.

Events after the balance sheet date

For details on post balance sheet events, see Note 37 to the financial statements.

Code for Financial Reporting Disclosure

The Group's 2021 financial statements have been prepared in accordance with the principles of the UK Finance Disclosure Code for Financial Reporting Disclosure.

Disclosure of information to auditor

As far as the directors are aware, there is no relevant audit information of which the Group statutory auditor, EY, is unaware. The directors have taken all reasonable steps to ascertain any relevant audit information and ensure that the Group statutory auditors are aware of such information.

Viability and going concern

Having made appropriate enquiries, the Board is satisfied that the Company and the Group as a whole has adequate resources to continue in operation and meet its liabilities as they fall due for a period of 12 months from 17 February 2022 and therefore continues to adopt the going concern basis in preparing the financial statements.

The directors' viability statement in respect to the Group can be found in the Strategic report on pages 86 and 87, while the directors' going concern considerations of the Group can be found on page 318.

Sufficiency of public float

As at the date of this report, the Company has maintained the prescribed public float under the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules"), based on the information publicly available to the Company and within the knowledge of the directors.

Research and development

During the year, the Group invested $1.89 billion (2020: $1.59 billion) in research and development, of which $0.94 billion (2020: $0.78 billion) was recognised as an expense. The research and development investment primarily related to the planning, analysis, design, development, testing, integration, deployment and initial support of technology systems.

Political donations

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

Directors and their interests

The membership of the Board, together with their biographical details, are given on pages 91 to 94. Details of the directors' beneficial and non-beneficial interests in the ordinary shares of the Company are shown in the Directors' remuneration report on pages 141 to 180. The Group operates a number of share-based arrangements for its directors and employees.

Details of these arrangements are included in the Directors' remuneration report and in Note 31 to the financial statements

The Company has received from each of the INEDs an annual confirmation of independence pursuant to Rule 3.13 of the Hong Kong Listing Rules and still considers all of the non-executive directors to be independent.

At no time during the year did any director hold a material interest in any contracts of significance with the Company or any of its subsidiary undertakings.

In accordance with the Companies Act 2006, we have established a process requiring directors to disclose proposed outside business interests before any are entered into. This enables prior assessment of any conflict or potential conflict of interest and any impact on time commitment. On behalf of the Board, the Governance and Nomination Committee reviews existing conflicts of interest annually to consider if they continue to be conflicts of interest, and also to revisit the terms upon which they were determined to be. The Board is satisfied that our processes in this respect continue to operate effectively.

Subject to company law, the Articles of Association and the authority granted to directors in general meeting, the directors may exercise all the powers of the Company and may delegate authorities to committees. The Articles of Association contain provisions relating to the appointment, re-election and removal of directors. Newly appointed directors retire at the AGM following appointment and are eligible for election. All directors are nominated for annual re-election by shareholders subject to continued satisfactory performance based upon their annual assessment.

Non-executive directors are appointed for an initial period of one year and subject to (re)election by shareholders at AGMs, in line with the UK Corporate Governance Code 2018.

The Company has granted indemnities to all of its directors on terms consistent with the applicable statutory provisions. Qualifying third-party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the financial year ended 31 December 2021 and remain in force at the date of this report.

Qualifying pension scheme indemnities

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

Significant agreements

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

Future developments in the business of the Group

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

Results and dividends

2021: paid interim dividend of 3 cents per ordinary share (2020: no interim dividend paid)
2021: proposed final dividend of 9 cents per ordinary share (2020: paid final dividend of 9 cents per ordinary share)
2021: total dividend of 12 cents per ordinary share (2020: total dividend, 9 cents per ordinary share)

Share capital

The issued ordinary share capital of the Company was reduced by a total of 77,063,162 over the course of 2021. This was due to the cancellation of ordinary shares as part of the Company's two share buy-back programmes. No ordinary shares were issued during the year. The Company has one class of ordinary shares, which carries no rights to fixed income. On a show of hands, each member present has the right to one vote at our general meetings. On a poll, each member is entitled to one vote for every $2 nominal value of share capital held.

The issued nominal value of the ordinary shares represents 85.3 per cent of the total issued nominal value of all share capital. The remaining 14.7 per cent comprises preference shares, which have preferential rights to income and capital but which, in general, do not confer a right to attend and vote at our general meetings.

Further details of the Group's share capital can be found in Note 28 to the financial statements

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. There are no specific restrictions on voting rights and the directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Articles of Association

The Articles of Association may be amended by special resolution of the shareholders.

A copy of the Company's Articles of Association can be found on our website here **sc.com/investors**

Authority to purchase own shares

At the AGM held on 12 May 2021, our shareholders renewed the Company's authority to make market purchases of up to 312,143,771 ordinary shares, equivalent to approximately 10 per cent of issued ordinary shares as at 25 March 2021, and up to all of the issued preference share capital.

The authority to make market purchases up to 10 per cent of issued ordinary share capital was used during the year through two buy-back programmes announced in February and August 2021. These were utilised to reduce the number of ordinary shares in issue and as part of the Group's approach to dividend growth and capital returns. The first share buy-back programme was launched on 1 March 2021 and ended on 29 March 2021. The second share buy-back programme was launched on 4 August 2021 and ended on 16 September 2021. A total of 77,063,162 ordinary shares with a nominal value of $0.50 were re-purchased for an approximate aggregate consideration paid of $504 million.

A monthly breakdown of the shares purchased during the period including the lowest and highest price paid per share is set out in Note 28 to the financial statements. All ordinary shares which were bought back were cancelled.

In accordance with the terms of a waiver granted by The Stock Exchange of Hong Kong Limited (HKSE) as subsequently modified, the Company will comply with the applicable law and regulation in the UK in relation to holding of any shares in treasury and with the conditions of granting the waiver by the HKSE. No treasury shares were held during the year.

Further details can be found in Note 28 to the financial statements

Authority to issue shares

The Company is granted authority to issue shares by the shareholders at its AGM. The size of the authorities granted depends on the purposes for which shares are to be issued and is within applicable legal and regulatory requirements.

Shareholder rights

Under the Companies Act 2006, shareholders holding 5 per cent or more of the paid-up share capital of the Company carrying the right of voting at general meetings of the Company are able to require the directors to hold a general meeting. A request may be in hard copy or electronic form and must be authenticated by the shareholders making it. Where such a request has been duly lodged with the Company, the directors are obliged to call a general meeting within 21 days of becoming subject to the request and must set a date for the meeting not more than 28 days from the date of the issue of the notice convening the meeting.

Under the Companies Act 2006, shareholders holding 5 per cent or more of the total voting rights at an AGM of the Company, or 100 shareholders entitled to vote at the AGM with an average of at least £100 paid-up share capital per shareholder, are entitled to require the Company to circulate a resolution intended to be moved at the Company's next AGM. Such a request must be made not later than six weeks before the AGM to which the request relates or, if later, the time notice is given of the AGM. The request may be in hard copy or electronic form, must identify the resolution of which notice is to be given and must be authenticated by the shareholders making it.

Shareholders are also able to put forward proposals to shareholder meetings and enquiries to the Board and/or the Senior Independent Director by using the 'contact us' information on the Company's website sc.com or by emailing the Group Corporate Secretariat at **group-corporate.secretariat@sc.com**

Major interests in shares and voting rights

As at 31 December 2021, Temasek Holdings (Private) Limited (Temasek) is the only shareholder that has an interest of more than 10 per cent in the Company's issued ordinary share capital carrying a right to vote at any general meeting.

Information provided to the Company pursuant to the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website.

As at 11 February 2022, the Company has been notified of the following information, in accordance with DTR 5, from holders of notifiable interests in the Company's issued share capital. The information provided in the table below was correct at the date of notification; however, the date received may not have been within 2021. It should be noted that these holdings are likely to have changed since the Company was notified. However, notification of any change is not required until the next notifiable threshold is crossed.

Notifiable interests	Interest in ordinary shares (based on voting rights disclosed)	Percentage of capital disclosed	Nature of holding as per disclosure
Temasek Holdings (Private) Limited	510,451,383	16.01	Indirect
Schroders plc	176,127,832	5.64687	Indirect (5.63174%) Contracts for Difference (0.01513%)
BlackRock Inc.	183,640,172	5.55	Indirect (5.01%) Securities Lending (0.39%) Contracts for Difference (0.14%)

Related party transactions

Details of transactions with directors and officers and other related parties are set out in Note 36 to the financial statements.

Connected/continuing connected transactions

By virtue of its shareholding of over 10 per cent in the Company, Temasek and its associates are related parties and connected persons of the Company for the purposes of the UK Listing Rules and the Hong Kong Listing Rules, respectively (together the "Rules").

The Rules are intended to ensure that there is no favourable treatment to Temasek or its associates to the detriment of other shareholders in the Company. Unless transactions between the Group and Temasek or its associates are specifically exempt under the Rules or are subject to a specific waiver, they may require a combination of announcements, reporting and independent shareholders' approval.

On 12 November 2021, the HKSE extended a waiver (the "Waiver") it previously granted to the Company for the revenue banking transactions with Temasek which do not fall under the passive investor exemption (the "Passive Investor Exemption") under Rules 14A.99 and 14A.100 of the Hong Kong Listing Rules. Under the Waiver, the HKSE agreed to waive the announcement requirement, the requirement to enter into a written agreement and set an annual cap, and the reporting (including annual review) requirements under Chapter 14A for the three-year period ending 31 December 2024 on the conditions that:

a) The Company will disclose details of the Waiver (including nature of the revenue banking transactions with Temasek and reasons for the Waiver) in subsequent annual reports; and
b) The Company will continue to monitor the revenue banking transactions with Temasek during the three years ending 31 December 2024 to ensure that the 5 per cent threshold for the revenue ratio will not be exceeded.

The main reasons for seeking the Waiver were:

- The nature and terms of revenue banking transactions may vary and evolve over time; having fixed-term written agreements would not be suitable to accommodate the various banking needs of the Company's customers (including Temasek) and would be impractical and unduly burdensome.
- It would be impracticable to estimate and determine an annual cap on the revenue banking transactions with Temasek as the volume and aggregate value of each transaction are uncertain and unknown to the Company as a banking group due to multiple factors including market driven factors.
- The revenues generated from revenue banking transactions were insignificant. Without a waiver from the HKSE or an applicable exemption, these transactions would be subject to various percentage ratio tests which cater for different types of connected transactions and as such may produce anomalous results.

For the year ended 31 December 2021, the Group provided Temasek with money market and capital markets products and services that were revenue transactions in nature.

As a result of the Passive Investor Exemption and the Waiver, the vast majority of the Company's transactions with Temasek and its associates fall outside of the connected transactions regime. However, non-revenue transactions with Temasek or any of its associates continue to be subject to monitoring for connected transaction issues. The Company confirms that:

- The revenue banking transactions entered into with Temasek in 2021 were below the 5 per cent threshold for the revenue ratio test under the Hong Kong Listing Rules; and
- It will continue to monitor revenue banking transactions with Temasek during the three years ending 31 December 2024 to ensure that the 5 per cent threshold for the revenue ratio will not be exceeded.

The Company therefore satisfied the conditions of the Waiver.

Fixed assets

Details of additions to fixed assets are presented in Note 18 to the financial statements.

Loan capital

Details of the loan capital of the Company and its subsidiaries are set out in Notes 22 and 27 to the financial statements.

Debenture issues and equity-linked agreements

During the financial year ended 31 December 2021, the Company made no issuance of debentures or equity-linked agreements.

Risk management[1]

The Board is responsible for maintaining and reviewing the effectiveness of the risk management system. An ongoing process for identifying, evaluating and managing the significant risks that we face is in place. The Board is satisfied that this process constitutes a robust assessment of all of the principal risks, emerging risks and material cross-cutting risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

1 The Group's Risk Management Framework and System of Internal Control applies only to wholly controlled subsidiaries of the Group, and not to Associates, Joint Ventures or Structured Entities of the Group.

Key areas of risk on financial instruments for the directors included the impairment of loans and advances and valuation of financial instruments held at fair value. This risk assessment and management is explained further in the Audit Committee Key areas and Action taken on page 120.

The Risk review and Capital review on **pages 194 to 293** sets out the principal risks, emerging risks and integrated risks, our approach to risk management, including our risk management principles, an overview of our Enterprise Risk Management Framework and the risk management and governance practices for each principal risk type. The Board-approved Risk Appetite Statement can be found on **pages 264 to 279**

In accordance with Article 435(1)(e) of the UK onshored Capital Requirements Regulation, the Board Risk Committee, on behalf of the Board, has considered the adequacy of the risk management arrangements of the Group and has sought and received assurance that the risk management systems in place are adequate with regard to the Group's profile and strategy.

Internal control[1]

The Board is responsible for maintaining and reviewing the effectiveness of the internal control system. Its effectiveness is reviewed regularly by the Board, its committees, the Management Team and Group Internal Audit.

For the year ended 31 December 2021, the Board Risk Committee has reviewed the effectiveness of the Group's system of internal control. As part of this review, affirmation was received that the Group Chief Risk Officer is satisfied that the Group's risk management and internal control framework is materially effective and adequately highlights risks and improvement areas for management attention. Group Internal Audit represents the third line of defence and provides independent assurance of the effectiveness of management's control of business activities (the first line) and of the control processes maintained by the Risk Framework Owners and Policy Owners (the second line). The audit programme includes obtaining an understanding of the processes and systems under audit review, evaluating the design of controls, and testing the operating effectiveness and outcomes of key controls. The work of Group Internal Audit is focused on the areas of greatest risk as determined by a risk-based assessment methodology. The Board considers the internal control systems of the Company to be effective and adequate.

Group Internal Audit reports regularly to the Audit Committee, the Group Chairman and the Group Chief Executive; and the Group Head, Internal Audit reports directly to the Chair of the Audit Committee and administratively to the Group Chief Executive. The findings of all adverse audits are reported to the Audit Committee, the Group Chairman and the Group Chief Executive where immediate corrective action is required.

The Board Risk Committee has responsibility for overseeing the management of the Company's principal risks as well as reviewing the effectiveness of the Group's Enterprise Risk Management Framework. The Audit Committee monitors the integrity of the Company's financial reporting, compliance and internal control environment.

The risk management approach starting on **page 258** describes the Group's risk management oversight committee structure.

Our business is conducted within a developed control framework, underpinned by policy statements and standards. There are written policies and standards designed to ensure the identification and management of risk, including Credit Risk, Traded Risk, Treasury Risk, Operational and Technology Risk, Information and Cyber Security Risk, Compliance Risk, Financial Crime Risk, Model Risk and Reputational and Sustainability Risk. The Board has established a management structure that clearly defines roles, responsibilities and reporting lines.

1 The Group's Risk Management Framework and System of Internal Control applies only to wholly controlled subsidiaries of the Group, and not to Associates, Joint Ventures or Structured Entities of the Group.

Delegated authorities are documented and communicated. Executive risk committees regularly review the Group's risk profile. The performance of the Group's businesses is reported regularly to senior management and the Board. Performance trends and forecasts, as well as actual performance against budgets and prior periods, are monitored closely. Financial information is prepared using appropriate accounting policies, which are applied consistently.

Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. These controls include appropriate segregation of duties, the regular reconciliation of accounts and the valuation of assets and positions. In respect of handling inside information, we have applied relevant controls on employees who are subject to handling inside information, including controls over the dissemination of such information and their dealings in the Company's shares. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Employee policies and engagement

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

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

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

Across the organisation, regular team meetings with People Leaders, one-to-ones and various management meetings provide an important platform for colleagues to discuss and clarify key issues. Regular performance conversations provide the opportunity to discuss how individuals, the team and the business area have contributed to our overall performance and, in year-end conversations, how any compensation awards relate to this. The Bank's senior leadership (Group Chairman, CEO, Board) also regularly shares global, regional and country updates on financial performance, strategy, structural changes, HR programmes, performance reviews and campaigns.

The Board engages with and listens to the views of the workforce through several sources, including through virtual, interactive engagement sessions. More information can be found on pages 113 and 114 in the Directors' report.

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

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

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

We seek to build productive and enduring partnerships with various employee representative bodies (including unions and work councils). In our recognition and interactions, we are heavily influenced by the 1948 United Nations Universal Declaration of Human Rights (UDHR), and several International Labour Organisation (ILO) conventions including the Right to Organise and Collective Bargaining Convention, 1949 (No. 98) and the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87). 14.3 per cent of employees across 21 markets are covered by collective bargaining agreements and for employees not covered by collective bargaining agreements, their working conditions and terms of employment are based on the Bank's Group & Country policies and as per individual employment contracts issued by the Bank.

The Group Grievance Standard provides a formal framework to deal with concerns that employees have in relation to their employment or another colleague, which affects them directly, and cannot be resolved through informal mechanisms, such as counselling, coaching or mediation. This can include issues of bullying, harassment, discrimination and victimisation, as well as concerns around conditions of employment (for example, health and safety, new working practices or the working environment). Employees can raise grievances to their People Leader or a Human Resources (HR) Representative. The global process to address grievances involves an HR representative and a member of the business reviewing the grievance, conducting fact finding into the grievance and providing a written outcome to the aggrieved employee. If a grievance is upheld, the next steps might include remedying a policy or process, or initiating a disciplinary review of the conduct of the subject of the grievance. The Group Grievance Standard and accompanying process is reviewed on a periodic basis in consultation with stakeholders across HR, Legal, Compliance and Shared Investigative Services. Grievance trends are reviewed on a quarterly basis and action plans are developed to address any concerning trends.

There is a distinct Group Speaking Up Policy which covers instances where an employee wishes to 'blow the whistle' on actual, planned or potential wrongdoing by another employee or the Group.

The Group is committed to creating a fair, consistent, and transparent approach to making decisions in a disciplinary context. This commitment is codified in our Fair Accountability Principles, which underpin our Group Disciplinary Standard.

Dismissals due to misconduct issues and/or performance (where required by law to follow a disciplinary process) are governed by the Group Disciplinary Standard. Where local law or regulation requires a different process with regards to dismissals and other disciplinary outcomes, we have country variances in place.

Our Group Diversity and Inclusion Standard has been developed to ensure a respectful workplace, with fair and equal treatment, diversity and inclusion, and the provision of opportunities for employees to participate fully and reach their full potential in an appropriate working environment. The Group aims to provide equality of opportunity for all, protect the dignity of employees and promote respect at work. All individuals are entitled to be treated with dignity and respect, and to be free from harassment, bullying, discrimination and victimisation. This helps to support productive working conditions, decreased staff attrition, positive employee morale and engagement, maintains employee wellbeing, and reduces people-related risk. All employees and contractors are required to take personal responsibility to comply with the Standard, including conducting themselves in a manner that demonstrates appropriate, non-discriminatory behaviours.

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

We strive for recruitment, appraisals, pay and conditions, training, development, succession planning, promotion, grievance/disciplinary procedures and employment termination practices that are inclusive and accessible; and that do not directly or indirectly discriminate.

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

Health and safety

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

We follow the ILO code of practice on recording and notification of occupational accidents and diseases, as well as aligning to UK Health and Safety Executive, and ensuring we meet all local H&S regulatory reporting requirements. We record and report all work-related illness and injuries, including sub-contractors, visitors and clients.

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

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

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

In 2021, we worked with an external certified provider to develop our previously classroom-based MHFA training program into a virtual program which can be accessed by any colleague regardless of their location. To date we have trained over 400 mental health first aiders in 42 markets, covering 95 per cent of colleagues.

In 2021, we recorded no work-related fatalities or serious long-term work-related health issues in our staff, although 68 colleagues passed away from COVID-19 in non-work-related situations. Whilst not mandatory, we 'strongly encourage' vaccination against COVID-19 for employees and have held vaccination drives where possible to assist colleagues and their families to access vaccinations.

Major injuries (per the UK Health & Safety Executive definition) increased slightly from 23 in 2020 to 24, with fractures the most common type of major injury (52 per cent). Overall, reported injuries reduced by six per cent, with 'slips/trips/falls' and 'transport/commuting' remaining the most common causes of injury. Our injury rates remain aligned to, or better than industry benchmarks.

Hazards and near miss reports decreased 42 per cent between 2020 and 2021, and all premises are inspected at least annually to identify any hazards, risks and incidences of non-compliance.

Throughout 2021, the COVID-19 pandemic continued to impact health, safety and wellbeing. With lockdowns and restrictions continuing across our markets throughout the year, we accelerated our Future Workplace Now plans and approximately 80 per cent of colleagues adopted working from home arrangements. Workplace closures and restricted operations resulted in a reduction in workplace accidents and incidents; however, home working introduced new and emerging risks to manage across health, safety and wellbeing. A H&S inspection checklist is available for staff to assess their working area for hazards, and virtual assessments by H&S experts are organised if required. All staff opting to work flexibly receive an allowance to purchase ergonomic office equipment. Our work injury insurance covers all staff working from home.

Major customers

Our five largest customers together accounted for 1.7 per cent of our total operating income in the year ended 31 December 2021.

Major suppliers

In 2021, $4.1 billion was spent with approximately 12,100 first tier suppliers. Of this, 73 per cent of the total spend was spent in the Asia region, with 19 per cent in Europe and the Americas, and eight per cent in Africa and the Middle East.

Our five largest suppliers together accounted for 16 per cent of total spend, with the largest ten amounting to 24 per cent of total spend.

Supply chain management

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

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

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

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

Details of how we create value for our suppliers and other stakeholder groups can be found on **pages 51 to 59**

Product responsibility

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

The Group has in place a risk framework, comprising policies and standards, to support these objectives in alignment with our Conduct Risk Framework. This framework covers sales practices, client communications, appropriateness and suitability, and post-sales practice. As part of this, we ensure products sold are suitable for clients and comply with relevant laws and regulations. The Group does not manufacture products and therefore does not have a defined quality assurance process or recall procedures; nor does it sell or ship products that would be liable for return on heath and safety grounds.

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

For more information on our approach to product design, product pricing, treating customers fairly and protecting vulnerable customers, and incentivising our frontline employees, see pages 51 and 52. For more information on fraud identification see pages 72 and 73.

Safeguarding intellectual property rights

The Group has processes in place to manage the Group's intellectual property rights and respect third party intellectual property rights. The Group has complied with applicable intellectual property laws and regulations.

Group Code of Conduct

The Board has adopted a Group Code of Conduct (the Code) relating to the lawful and ethical conduct of business and this is supported by the Group's valued behaviours. This has been communicated to all directors and employees, all of whom are expected to observe high standards of integrity and fair dealing in relation to customers, employees and regulators in the communities in which the Group operates. Directors and employees are asked to recommit to the Code annually, and 99.6 per cent have completed the 2021 recommitment. All Board members have recommitted to the Code.

Managing environmental and social risk

The Board is responsible for ensuring that high standards of responsible business are maintained and that an effective control framework is in place. This encompasses risk associated with clients' operations and their potential impact on the environment, including climate change, and local communities.

The Board recognises its responsibility to manage these risks and that failure to manage them adequately could have adverse impact on stakeholders as well as the Group. The Board, via the Culture and Sustainability Committee, reviews sustainability priorities, and oversees the development of, and delivery against, public commitments regarding the activities and/or businesses that the Group will or will not accept in alignment with our Here for good brand promise.

At a management level, the CEO, CCIB is responsible for sustainable finance, which incorporates E&S risk management. Led in 2021 by the Group Head, Conduct, Financial Crime and Compliance, a cross-business Sustainability Forum is responsible for developing and delivering the Group's broader sustainability strategy.

Standard Chartered has publicly committed to the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations since 2017.

Our comprehensive TCFD disclosure is published in a standalone report which provides information in a readily identifiable and accessible format for all interested stakeholders.

+ A summary of the TCFD report can be found on pages 67 to 69, with the full report available at **sc.com/tcfd**

Community engagement

We collaborate with local partners to support social and economic development in communities across our markets. We are committed to sustainable social and economic development through our business, operations and communities. We aim to create more inclusive economies by sharing our skills and expertise and developing community programmes that transform lives. We continue to support our communities through Futuremakers by Standard Chartered, our global initiative to tackle youth economic inclusion and enable the next generation to learn, earn and grow. For more information on Futuremakers, as well as our employee volunteering and community investment expenditure, please see pages 76 and 77 in the Sustainable and Responsible Business section.

ESG reporting guide

We comply with the requirements for environmental, social and governance reporting under Appendix 27 of the Hong Kong Listing Rules with the exception of A1.3 on hazardous waste and A1.6 on production and handling of hazardous waste and A2.5 on packaging. As an office-based financial services provider, we generate minimal hazardous waste or packaging material. As such, these issues are not material and we do not report them.

Environmental impact of our operations

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

Disclosures related to the Group's environmental policies as well as GHG, energy efficiency, water and waste performance metrics are included in the sustainable and responsible business section of the Strategic report on pages 74 and 75, and in the supplementary environment data table on page 451.

Our reporting methodology is based upon the World Resources Institute/ World Business Council for Sustainable Development Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (Revised Edition). We report on all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations.

Using conversion factors from the International Energy Agency 2021 Emissions Factors and the UK Government's Department for Business, Energy & Industrial Strategy, emissions are reported in metric tonnes of carbon dioxide equivalent (CO_2e), encompassing the six Kyoto gases.

Scope 1 emissions are defined as arising from the consumption of energy from direct sources, during the use of property occupied by the Group. On-site combustion of fuels including diesel, liquefied petroleum gas (LPG) and natural gas, is recorded using meters, or where metering is not available, collated from fuel vendor's invoices. Emissions from the combustion of fuel in Group-operated transportation devices, as well as fugitive emissions, are excluded as being immaterial.

Scope 2 emissions are defined as arising from the consumption of indirect sources of energy, during the use of property occupied by the Group. Energy generated off-site in the form of purchased electricity, heat, steam or cooling, is collected as kilowatt hours consumed using meters or where metering is not available, collated from vendor's invoices.

Applicable to both Scope 1 and 2 emissions, we include all indirect and direct sources of energy consumed by building services (amongst other activities) within the space occupied by the Group, leased or owned. This can include base building services under landlord control, but over which we typically hold a reasonable degree of influence.

All data centre facilities with conditioning systems and hardware remaining under the operational control of the Group are included in the reporting. This does not include energy used at outsourced data centre facilities which are captured under Scope 3.

Scope 3 emissions occur as a consequence of the Group's activities but arising from sources not controlled by us. Business air travel data is collected as person kilometres travelled by seating class, by employees of the Group.

Data is drawn from country operations that have processes in place to gather accurate employee air travel data from travel management companies. Flights are categorised between short, medium and long-haul trips.

Emissions from other potential Scope 3 sources such as electricity transmission and distribution line losses are not currently accounted for on the basis that they cannot be calculated with an acceptable level of reliability or consistency. We do however capture Scope 3 emissions from outsourced data centres and business air travel exclusively in terms of carbon emissions, both managed by third parties.

Further information on the principles and methodologies used to calculate the GHG emissions of the Group can be found in our reporting criteria document at **sc.com/environmentcriteria**

Reporting period

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

Assurance

Our Scope 1 and 2 emissions are assured by an independent body, Global Documentation, against the requirements of ISO14064.

Indicator	2021	2020	2019	Units
Headcount (at year end)	**81,957**	83,657	84,398	Headcount
Net internal area of occupied property covered by reporting	**998,571**	1,050,414	1,154,999	m^2
Annual operating income from 1 October to 30 September	**14,541**	15,233	15,200	$million
Greenhouse gas emissions (location based)				
Scope 1 emissions (combustion of fuels)	**2,902**	3,988	4,542	tonnes CO_2eq/year
Scope 2 emissions (purchased electricity)	**82,761**	113,870	141,771	tonnes CO_2eq/year
Scope 1 & 2 emissions	**85,662**	117,858	146,313	tonnes CO_2eq/year
Scope 1 & 2 emissions (UK and offshore area only)	**–**	–	–	tonnes CO_2eq/year
Scope 3 emissions with distance uplift (air travel)	**3,654**	33,930	94,043	tonnes CO_2eq/year
Scope 3 emissions (Global Data Centre)	**43,132**	29,562	46,362	tonnes CO_2eq/year
Total Scope 1, 2 & 3 emissions	**132,448**	181,350	286,718	tonnes CO_2eq/year
Total Scope 1, 2 & 3 emissions/headcount	**1.62**	2.17	3.40	tonnes CO_2eq/ headcount/year
Total Scope 1, 2 & 3 emissions/operating income	**9.11**	11.91	18.86	tonnes CO_2eq/ $m/year
Environmental resource efficiency				
Indirect non-renewable energy consumption	**142.4**	184.2	222.6	GWh/year
Indirect renewable energy consumption	**27.5**	14.1	17.0	GWh/year
Direct non-renewable energy consumption	**12.4**	16.5	18.8	GWh/year
Direct renewable energy consumption	**0.7**	0.80	0.80	GWh/year
Energy consumption (Group)	**183**	215.6	258.3	GWh/year
Energy consumption (UK and offshore area only)	**5**			GWh/year

➔ Further detail on our environment performance, as well as associated assumptions and methodologies can be found on **pages 451 and 452**.

Electronic communication

The Board recognises the importance of good communications with all shareholders. Directors are in regular contact with our institutional shareholders and general presentations are made when we announce our financial results. The AGM presents an opportunity to communicate with all shareholders. Our shareholders are encouraged to receive our corporate documents electronically. The annual and interim financial statements, Notice of AGM and any dividend circulars are all available electronically. If you do not already receive your corporate documents electronically and would like to do so in future, please contact our registrars at the address on page 457.

Shareholders are also able to vote electronically on the resolutions being put to the AGM through our registrars' website at investorcentre.co.uk.

Annual General Meeting

Our 2022 AGM will be held at 11:00am (UK time) (6:00pm Hong Kong time) on 4 May 2022. Further details regarding the format, location and business to be transacted will be disclosed within the 2022 Notice of AGM.

Our 2021 AGM was held on 12 May 2021 at 11:00am (UK time) (6:00pm Hong Kong time). Special business at the meeting included the approval of the power to allot ECAT1 Securities for cash without certain formalities.

All resolutions were passed at the meeting, the details of which can be viewed on our website.

Non-audit services

The Group's non-audit services policy ("the policy") was reviewed and approved by the Audit Committee on 28 October 2021. The policy is based on an overriding principle that, to avoid any actual or perceived conflicts of interest, the Group's auditor should only be used when either there is evidence that there is no alternative in terms of quality and there is no conflict with their duties as auditor. EY can be used where the work is required by a regulator or competent authority.

The policy clearly sets out the criteria for when the Audit Committee's prior written approval is required. The policy requires a conservative approach to be taken to the assessment of requests for EY to provide non-audit services. Subject to the overriding principle, the Audit Committee's view is that EY can be of value in a range of non-audit service activities and should be allowed to tender subject to the terms of the policy. The Group is required to take a conservative approach to interpreting the potential threats to auditor independence and requires commensurately robust safeguards against them.

UK legislation and guidance from the FRC sets out threats to audit independence including self-interest, self-review, familiarity, taking of a management role or conducting advocacy. In particular, maintaining EY's independence from the Group requires EY to avoid taking decisions on the Group's behalf. It is also recognised as essential that management retains the decision-making capability as to whether to act on advice given by EY as part of a non-audit service. This means not just the ability to action the advice given, but to have sufficient knowledge of the subject matter to be able to make a reasoned and independent judgement as to its validity. All of this is contained within the policy.

By way of (non-exhaustive) illustration of the application of the principles set out in the policy, the following types of non-audit services are likely to be permissible under the policy:

- Reviews of interim financial information and verification of interim profits – the Group would also extend this to work on investor circulars in most foreseeable circumstances
- Extended audit or assurance work on financial information and/or financial or operational controls, where this work is closely linked to the audit engagement
- Agreed upon procedures on materials within or referenced in the annual report of the Group or an entity within the Group
- Internal control review services

Strictly prohibited under the policy:

- Bookkeeping, information technology and internal audit services
- Corporate finance services, valuation services or litigation support
- Tax or regulatory structuring proposals
- Services where fees are paid on a contingent basis (in whole or in part)
- Consulting services that actively assist in running the business in place of management as opposed to providing or validating information, which management then utilises in the operation of the business

The policy is not a prescribed list of non-audit services that EY is permitted to provide. Rather, each request for EY to provide non-audit services will be assessed on its own merits. The Audit Committee believes that such a case-by-case approach best accommodates (i) the need for the appropriate rigour and challenge to be applied to each request for EY to provide non-audit services while (ii) preserving sufficient flexibility for the Group to engage EY to provide non-audit services where they are able to deliver particular value to the Group and where the proposed services can be provided without compromising EY's objectivity and independence. To ensure that the Group will comply with a cap that limits fees on non-audit services provided by EY to under 70 per cent of the average Group audit fee from the previous three consecutive financial years, (which will apply from EY's fourth year of being the Group's external auditor), the policy requires that annual non-audit service fees are lower than 70 per cent of the average annual Group audit fee up to this time. The caps exclude audit related non-audit services and services carried out pursuant to law or regulation. For 2021, without deducting non-audit service fees which were required by law or regulation and performed by EY, the ratio was 0.4:1. Details relating to EY's remuneration as the Group statutory auditor and a description of the broad categories of the types of non-audit services provided by EY are given in Note 38 to the financial statements.

Auditor

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

Following an annual performance and effectiveness review of EY, it was felt that EY is considered to be effective, objective and independent in its role as Group statutory auditor.

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

EY will be in attendance at the 2022 AGM. A resolution to re-appoint EY as auditor was proposed at the Company's 2021 AGM and was successfully passed.

EY is a Public Interest Entity Auditor recognised in accordance with the Hong Kong Financial Reporting Council Ordinance.

By order of the Board

Scott Corrigan
Interim Group Company Secretary

17 February 2022

Standard Chartered PLC

Registered No. 966425

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control[1] as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

1 The Group's Risk Management Framework and System of Internal Control applies only to wholly controlled subsidiaries of the Group, and not to Associates, Joint Ventures or Structured Entities of the Group.

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

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

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

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

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

By order of the Board

Andy Halford
Group Chief Financial Officer

17 February 2022

Creating the workplace of the future

In 2021, we implemented Future Workplace, Now – hybrid-working which combines virtual and office-based working, with greater flexibility in working patterns and locations. The programme has been rolled out in 28 markets – including Hong Kong, Singapore, the United Kingdom, the United States, the United Arab Emirates as well as our Global Business Service locations in India and Malaysia – where 73 per cent of employees have agreed flexible-working arrangements.

Read more online at **www.sc.com/hybridworking**

Risk review and Capital review

Risk review and Capital review

Risk Index		Annual Report and Accounts	Pillar 3 Report
Risk management approach	Enterprise Risk Management Framework	258	4 -5
	Principal Risks	264	4
	Emerging Risks	280	
Capital	Capital summary	288	
	CRD Capital base	289	12 - 15
	Movement in total capital	290	
	Risk-weighted assets	291	26 - 29
	UK Leverage ratio	293	30

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

- **a) Risk review:** Disclosures marked as 'audited' from the start of Credit risk section (page 200) to the end of Other principal risks in the same section (page 257); and
- **b) Capital review:** Tables marked as 'audited' from the start of 'CRD capital base' to the end of 'Movement in total capital', excluding 'Total risk-weighted assets' (pages 289 to 290).

Risk update

All risk types, both financial and non-financial, are managed and reported in accordance with the Group's Enterprise Risk Management Framework. Our key highlights from the past year are shown here.

Key highlights 2021

- Asset quality has continued to improve in a challenging macroeconomic environment
- Credit impairment significantly reduced across all stages
- The Group has maintained a strong liquidity and capital position

Our portfolio quality

Wide-ranging disruption to supply chains and rising inflation levels, in addition to the human cost of the pandemic, continued to place intense pressure on the majority of our markets. Despite these extreme challenges, we have built a solid foundation that has helped us to deliver a good performance with a resilient risk profile. This year demonstrated our commitment to strong and sustainable growth, with continued improvements seen in a number of our metrics since the end of 2020. Credit Risk remains elevated as the Group continues to monitor the impact of the pandemic and ongoing volatility in the real estate sector in China. Through our stress testing capabilities and extensive portfolio reviews, we identified and proactively managed a number of portfolios that were at risk, especially areas with higher vulnerability to COVID-19 and volatile commodity prices, such as Aviation, Hospitality and Oil & Gas. To support our clients, we 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.

In the second half of the year, we began to see signs of recovery in some markets as actions taken by governments and vaccine roll-outs helped to alleviate the economic effects of the pandemic. However, the resurgence of COVID-19 infections and new variants saw increased cases as 2021 came to a close, and lockdowns were reintroduced in a number of territories. We remain vigilant as the recovery remains uneven globally, with some countries increasing reliance on vaccines as a means of managing the pandemic and other countries using a wider range of measures. The threat of prolonged weak economic outlooks may lead to a sustained period of increased risk aversion, uncertainty and emerging risks.

The Group's total gross loans and advances in 2021 were $304.1 billion, an increase of $15.8 billion from 2020. Stage 2 and 3 loans have improved since 2020 by $7 billion to $24.9 billion, as we continue to focus on high-quality origination. Stage 3 loans decreased to $8.1 billion (2020: $9.2 billion), with the overall contribution to the total remaining unchanged at 3 per cent.

In Corporate, Commercial and Institutional Banking, stage 1 gross loans increased by $11.4 billion to $122.4 billion, representing 85 per cent of the portfolio (2020: 80 per cent), on the back of transfers from stage 2 and continued focus on origination of investment grade lending. Compared to 2020, exposure in early alerts decreased by 49 per cent to $5.5 billion (2020: $10.7 billion), mainly due to reductions in counterparty exposure and clients being removed from early alert. While early alerts have decreased, the Group remains vigilant in view of persistent challenging conditions in some markets and sectors. Credit Grade 12 balances decreased to $1.7 billion (2020: $2.2 billion) mainly due to repayments and outflows to non-performing loans, that were partly offset by sovereign rating downgrades. The percentage of investment grade corporate exposure has also increased to 69 per cent compared to 62 per cent a year ago, reflecting an increase in repurchase agreement balances and high-quality originations. Exposure to our top 20 corporate clients as a percentage of Tier 1 capital has increased by 1 per cent to 61 per cent (2020: 60 per cent), driven by increased exposure to investment grade clients. The Corporate, Commercial and Institutional Banking 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 despite ongoing challenges posed by the pandemic, with stage 1 gross loans increasing by $8.0 billion in 2021 driven by growth in Mortgage and Secured wealth products. Stage 1 loans represent 97 per cent of the Consumer, Private and Business Banking portfolio (2020: 97 per cent) with 96 per cent rated as 'Strong'. Stage 2 loans reduced by $0.7 billion, mainly driven by mortgage loans movement from stage 2 to stage 1 due to forward-looking macroeconomic outlook improvement. Stage 3 loans remain stable at 1 per cent of the portfolio. The majority of Consumer, Private and Business Banking products continue to be fully secured loans at 86 per cent of total loans (2020: 86 per cent). The overall average loan-to-value of the mortgage portfolio remains low at 41 per cent. The unsecured portfolio has remained flat compared to the previous year and continues to make up a small proportion of total Consumer, Private and Business Banking exposure.

Average Group Value at Risk (VaR) in 2021 was $54.8 million, a significant decrease compared to the previous year (2020: $97.6 million) due to extreme market movements from 2020 dropping out of the one-year VaR time horizon. However, volatility started to increase in the second half of 2021, driven by the impact of new COVID-19 variants. Trading activities have remained relatively unchanged and primarily client driven.

The Group maintained strong liquidity ratios despite the continued impact of the COVID-19 stress. The liquidity coverage ratio (LCR) has remained unchanged at 143 per cent, despite revising our approach to calculating the LCR. We have re-assessed the methodology to better reflect the portability of liquidity across the Group, while still considering currency convertibility and regulatory intra group limits. The Group's advances-to-deposits ratio has decreased by 2 per cent to 59.1 per cent, driven by an 8 per cent growth in customer deposits, most of which came from corporate customers. Customer loan growth was mainly from mortgages in Singapore and Hong Kong, and corporate loans across the Group.

The Group's CET1 capital decreased by 28 basis points to 14.1 per cent (2020: 14.4 per cent). Further details, including explanation of pro forma changes as at 1 January 2022, can be found in the Capital Review section on Page 288.

Key indicators

	2021	2020	2019
Group total business[1]	**304.1**	288.3	274.3
Stage 1 loans ($ billion)	**279.2**	256.4	246.1
Stage 2 loans ($ billion)	**16.8**	22.7	20.8
Stage 3 loans, credit-impaired ($ billion)	**8.1**	9.2	7.4
Stage 3 cover ratio	**58%**	58%	68%
Stage 3 cover ratio (including collateral)	**75%**	76%	85%
Corporate, Commercial & Institutional Banking			
Investment grade corporate net exposures as a percentage of total corporate net exposures	**69%**	62%	61%
Loans and advances maturing in one year or less as a percentage of total loans and advances to customers	**66%**	61%	62%
Early alert portfolio net exposures ($ billion)	**5.5**	10.7	5.3
Credit grade 12 balances ($ billion)	**1.7**	2.2	1.6
Aggregate top 20 corporate net exposures as a percentage of Tier 1 capital	**61%**	60%	56%
Collateralisation of sub-investment grade net exposures maturing in more than one year	**49%**	46%	45%
Consumer, Private & Business Banking			
Loan-to-value ratio of Consumer, Private & Business Banking mortgages	**41%**	45%	45%

1 These numbers represent total gross loans and advances to customers.

COVID-19

A number of management actions were taken throughout the year to mitigate the effect of COVID-19 on our portfolios and risk profile, informed by stress testing of various COVID-19 related scenarios and deep-dives on specific portfolios. Various short-term relief measures were implemented and we have increased engagement with our customers to find appropriate financing options where available. This includes enhancing our monitoring of facility drawdowns, loan and interest repayment holidays, covenant relief, fee waivers or cancellations, loan extensions and new facilities.

In Corporate, Commercial and Institutional Banking, 0.2 per cent of the portfolio are subject to relief measures. Around 68 per cent of the amounts approved are for tenor extensions of 90 days or less and approximately 17 per cent of the reliefs granted are to clients in vulnerable sectors.

In Consumer, Private and Business Banking, less than 1 per cent of total Consumer, Private and Business Banking exposure has had relief measures approved as at 31 December 2021, of which 51 per cent is fully secured. Through the use of customer surveys and analysis of the COVID-19 impact and delinquency trends, we have identified a higher-risk cohort of Business Banking customers which are being actively managed. 56 per cent of the Business Banking portfolio is fully secured by property or government guarantees.

While the macroeconomic environment has stabilised for the majority of the markets in our footprint, we continue to be cognisant of the potential longer-term impact, especially as relief measures have now been eased in most of our major markets.

We are managing exposures to a set of identified vulnerable sectors including Aviation, Oil & Gas, Commodity Traders, Metals & Mining, Commercial Real Estate and Hotels & Tourism particularly closely. These sectors represent 28 per cent (31 December 2021: 27 per cent) of the total net exposure in Corporate, Commercial and Institutional Banking, with the increase of 10 per cent to $72.5 billion (2020: $65.6 billion) largely due to higher levels of undrawn commitments and financial guarantees, particularly in the Commodity Traders and Commercial Real Estate sectors.

Stage 3 loans

Overall, stage 3 gross loans and advances to customers decreased by 12 per cent in 2021, from $9.2 billion to $8.1 billion. Stage 3 provisions decreased by $0.7 billion to $4.7 billion.

In Corporate, Commercial and Institutional Banking, gross stage 3 loans decreased by $1.1 billion compared with 31 December 2020 due to debt sales and repayments in Asia, and Africa and Middle East regions. Provisions decreased by $0.7 billion to $3.9 billion driven by repayments and write-offs. Inflows into stage 3 were lower by 53 per cent at $1.7 billion, compared with $3.6 billion in 2020. The new inflows in 2021 were mainly in Asia, and Africa and the Middle East.

Gross stage 3 loans in Consumer, Private and Business Banking remained broadly stable at $1.6 billion.

The stage 3 cover ratio (excluding collateral) in the total customer loan book remained at 58 per cent. Corporate, Commercial and Institutional Banking cover ratio decreased by 1 per cent to 59 per cent as a result of write-offs and new accounts with a lower coverage than existing stage 3 loans. The Consumer, Private and Business Banking cover ratio is 51 per cent (2020: 47 per cent) primarily due to a new provision taken on a Business Banking client. The cover ratio including collateral decreased to 75 per cent (2020: 76 per cent).

Credit impairment

At Group level, total credit impairment charge including the restructuring portfolio significantly reduced to $0.3 billion (2020: $2.3 billion) representing a loan loss rate of 7 basis points (bps) of average customer loans and advances (2020: 66 bps). Decreases were seen across all stages, with stage 3 impairment down by $1.3 billion, majority of which was from Corporate, Commercial and Institutional Banking. Stage 1 and 2 impairment decreased by $749 million, partly due to reduction in stage 2 exposures from lower levels of early alerts, additional collateral and improvement in probability of default, and partly due to improving macroeconomic forecasts and reduction in COVID-19 management overlays.

Corporate, Commercial and Institutional Banking saw a release of $44 million, a significant improvement compared with the credit impairment charge of $1.5 billion last year. Stage 1 and 2 impairment is a net charge of $23 million mainly driven by charges from a post model adjustment for multiple economic scenarios and the sovereign downgrade of Sri Lanka. The COVID-19 management overlays also reduced by $95 million although this was offset by a new, separately assessed management overlay of $95 million over the end of 2021 for the Commercial Real Estate exposures in China. Stage 3 credit release of $67 million was due to significant recoveries during the year.

Consumer, Private and Business Banking credit impairment has decreased (2021: $285 million, 2020: $741 million). Stage 1 and 2 impairment were significantly lower compared with 2020 at $32 million, mainly due to ECL reversals as the forward-looking macroeconomic outlook improved in relative terms. Stage 3 credit impairment of $253 million decreased by 23 per cent driven by better recoveries.

Central and other items saw a total impairment of $22 million primarily due to multiple economic scenario post model adjustments.

There was a net $9 million impairment release from the Group's discontinued businesses.

	2021			2020		
	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]	**23**	**(67)**	**(44)**	390	1,139	1,529
Consumer, Private & Business Banking[1]	**32**	**253**	**285**	413	328	741
Central & other items	**23**	**(1)**	**22**	24	–	24
Credit impairment charge/(release)	**78**	**185**	**263**	827	1,467	2,294
Restructuring business portfolio						
Others	**(2)**	**(7)**	**(9)**	–	31	31
Credit impairment charge/(release)	**(2)**	**(7)**	**(9)**	–	31	31
Total credit impairment charge/(release)	**76**	**178**	**254**	827	1,498	2,325

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

Further details of the risk performance for 2021 is set out in the **Risk profile** section (pages 199 to 257)

Risk profile

Our risk profile in 2021

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

Despite the challenges of the ongoing pandemic, our solid foundation has helped us to deliver a good performance with a resilient risk profile. Our corporate portfolios remain predominantly short-tenor and diversified across industry sectors, products and geographies. We have seen improvements in a number of our metrics that reflect our robust risk management during the pandemic. We remain vigilant to the continued impact of COVID-19 and an uneven global recovery. We are particularly closely managing exposures in identified vulnerable sectors including Aviation, Commercial Real Estate and Oil & Gas.

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

We have a robust risk management approach supported through our well-established ERMF

- Cross-cutting risks have been repositioned as IRTs and are defined as risks that are significant in nature and materialise primarily through the relevant PRTs
- Given their integrated nature, Digital Asset Risk and Third-Party Risk, in addition to Climate Risk, have been categorised as IRTs in the ERMF
- The Capital and Liquidity PRT has been renamed to Treasury Risk and the scope of the risk type has been expanded to cover Interest Rate Risk in the banking book
- Self-assessments performed in our footprint markets reflect the maturing ERMF adoption with emphasis on first-line ownership of risks
- The more mature financial risks continued to be more effectively managed on a relative basis compared to non-financial risks in 2021, and other aspects of the ERMF are established and operating to a more consistent standard
- The Group aims to further strengthen its risk management practices in 2022, through further improving on the management of non-financial risks within its businesses, functions and across the footprint, as well as management of risks which are integrated in nature

Further details on the ERMF can be found in the **Risk management approach** section on page 258

Our portfolios exhibit a resilient risk profile despite a challenging macroeconomic environment

- The proportion of the Group's gross loans and advances to customers in stage 1 and 2 has improved to 92 per cent and 6 per cent respectively (from 89 per cent and 8 per cent respectively in 2020)
- Exposure to investment grade clients has increased to 69 per cent (2020: 62 per cent) reflecting an increase in repurchase agreement balances and high-quality originations
- There has been a 49 per cent decrease to $5.5 billion (2020: $10.7 billion) in early alerts exposure, mainly due to reductions in counterparty exposure and clients being removed from early alert
- The total credit impairment charge significantly reduced to $0.3 billion (2020: $2.3 billion), with decreases seen across all three stages
- Stage 3 gross loans decreased to $8.1 billion (2020: $9.2 billion), with the overall contribution to the total remaining unchanged at 3 per cent. The overall stage 3 cover ratio remained stable at 58 per cent (2020: 58 per cent)
- The majority of our Consumer, Private & Business Banking products continue to be fully secured loans (stable at 86 per cent of the portfolio). The overall average loan-to-value of the mortgage portfolio is low at 41 per cent

Our capital and liquidity positions continue to be at healthy levels

- We remain well capitalised and our balance sheet remains highly liquid
- The Group liquidity coverage ratio has remained stable at 143 per cent
- We continue to have a strong advances-to-deposits ratio
- Our customer deposit base is diversified by type and maturity
- Our Common Equity Tier 1 ratio is 14.1 per cent (2020: 14.4 per cent). Further details, including explanation of pro forma changes as at 1 January 2022, can be found in the Capital Review section on page 288

Credit Risk (audited)

Basis of preparation

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

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

Credit Risk overview

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

Impairment model

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

Staging of financial instruments

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

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

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

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

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

IFRS 9 expected credit loss principles and approaches

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

Title	Description	Supplementary information	Page
Approach to determining expected credit losses	For material loan portfolios, the Group has adopted a statistical modelling approach for determining expected credit losses that makes extensive use of credit modelling. These models leveraged existing advanced internal ratings based (IRB) models, where these were available. Where model performance breaches model monitoring thresholds or validation standards, a post model adjustment may be required to correct for identified model issues, which will be removed once those issues have been remedied.	IFRS 9 methodology Determining lifetime expected credit loss for revolving products Post model adjustments	233 233 235
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 pages 235 to 239 for incorporation of forward-looking information, forecast of key macroeconomic variables underlying the expected credit loss calculation and the impact on non-linearity and sensitivity of expected credit loss calculation to macroeconomic variables. Management overlays may also be used to capture risks not identified in the models.	Incorporation of forward-looking information and impact of non-linearity Forecast of key macroeconomic variables underlying the expected credit loss calculation Management overlay and sensitivity to macroeconomic variables	235 236 239
Significant increase in credit risk (SICR)	Expected credit loss for financial assets will transfer from a 12-month basis (stage 1) to a lifetime basis (stage 2) when there is a significant increase in credit risk (SICR) relative to that which was expected at the time of origination, or when the asset becomes credit-impaired. On transfer to a lifetime basis, the expected credit loss for those assets will reflect the impact of a default event expected to occur over the remaining lifetime of the instrument rather than just over the 12 months from the reporting date. SICR is assessed by comparing the risk of default of an exposure at the reporting date with the risk of default at origination (after considering the passage of time). 'Significant' does not mean statistically significant nor is it reflective of the extent of the impact on the Group's financial statements. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria, the weight of which will depend on the type of product and counterparty.	Quantitative criteria Significant increase in credit risk thresholds Specific qualitative and quantitative criteria per segment: Corporate, Commercial & Institutional Banking clients Consumer Banking clients Private Banking clients Debt securities	242 242 243 243 243 243 243

Title	Description	Supplementary information	Page
Assessment of credit-impaired financial assets	Credit-impaired (stage 3) financial assets comprise those assets that have experienced an observed credit event and are in default. Default represents those assets that are at least 90 days past due in respect of principal and interest payments and/or where the assets are otherwise considered unlikely to pay. This definition is consistent with internal Credit Risk management and the regulatory definition of default. Unlikely to pay factors include objective conditions such as bankruptcy, debt restructuring, fraud or death. It also includes credit-related modifications of contractual cashflows due to significant financial difficulty (forbearance) where the Group has granted concessions that it would not ordinarily consider. Interest income for stage 3 assets is recognised by applying the original effective interest rate to the net asset amount (that is, net of credit impairment provisions). When financial assets are transferred from stage 3 to stage 2, any contractual interest recovered in excess of the interest income recognised while the asset was in stage 3 is reported within the credit impairment line.	Consumer Banking clients Corporate, Commercial & Institutional Banking and Private Banking clients	243 243
Transfers between stages	Assets will transfer from stage 3 to stage 2 when they are no longer considered to be credit-impaired. Assets will not be considered credit-impaired only if the customer makes payments such that they are paid to current in line with the original contractual terms. Assets may transfer to stage 1 if they are no longer considered to have experienced a significant increase in credit risk. This will be immediate when the original PD based transfer criteria are no longer met (and as long as none of the other transfer criteria apply). Where assets were transferred using other measures, the assets will only transfer back to stage 1 when the condition that caused the significant increase in credit risk no longer applies (and as long as none of the other transfer criteria apply).	Movement in loan exposures and expected credit losses	211
Modified financial assets	Where the contractual terms of a financial instrument have been modified, and this does not result in the instrument being derecognised, a modification gain or loss is recognised in the income statement representing the difference between the original cashflows and the modified cashflows, discounted at the effective interest rate. The modification gain/loss is directly applied to the gross carrying amount of the instrument. If the modification is credit related, such as forbearance or where the Group has granted concessions that it would not ordinarily consider, then it will be considered credit-impaired. Modifications that are not credit related will be subject to an assessment of whether the asset's credit risk has increased significantly since origination by comparing the remaining lifetime PD based on the modified terms with the remaining lifetime PD based on the original contractual terms.	COVID-19 relief measures Forbearance and other modified loans	219 220
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.	Group Credit Model Assessment Committee IFRS 9 Impairment Committee	244 244

Maximum exposure to Credit Risk (audited)

The table below presents the Group's maximum exposure to Credit Risk for its on-balance sheet and off-balance sheet financial instruments as at 31 December 2021, before and after taking into account any collateral held or other Credit Risk mitigation.

The Group's on-balance sheet maximum exposure to Credit Risk increased by $36 billion to $796 billion (2020: $760 billion). Cash and balances at Central banks increased by $6 billion and loans and advances to customers grew by $17 billion. Of the $17 billion increase, $6 billion was in Corporate, Commercial and Institutional Banking. Consumer, Private and Business Banking increased by $7.4 billion largely in Mortgage and Secured wealth products, and Central and other items increased by $3 billion. There was an increase of $21 billion in fair value through profit and loss instruments and an increase of $10 billion in investment securities debt, offset by a $17 billion decrease in derivative exposures.

	2021				2020			
		Credit Risk management				Credit Risk management		
	Maximum exposure $million	Collateral[8] $million	Master netting agreements $million	Net exposure $million	Maximum exposure $million	Collateral[8] $million	Master netting agreements $million	Net exposure $million
On-balance sheet								
Cash and balances at central banks	**72,663**			**72,663**	66,712			66,712
Loans and advances to banks[1]	**44,383**	**1,079**		**43,304**	44,347	1,247		43,100
of which – reverse repurchase agreements and other similar secured lending[7]	**1,079**	**1,079**		**–**	1,247	1,247		–
Loans and advances to customers[1]	**298,468**	**131,397**		**167,071**	281,699	123,516		158,183
of which – reverse repurchase agreements and other similar secured lending[7]	**7,331**	**7,331**		**–**	2,919	2,919		–
Investment securities – debt securities and other eligible bills[2]	**162,700**			**162,700**	152,861			152,861
Fair value through profit or loss[3,7]	**123,234**	**80,009**	**–**	**43,225**	102,259	63,405	–	38,854
Loans and advances to banks	**3,847**			**3,847**	3,877			3,877
Loans and advances to customers	**9,953**			**9,953**	9,377			9,377
Reverse repurchase agreements and other similar lending[7]	**80,009**	**80,009**		**–**	63,405	63,405		–
Investment securities – debt securities and other eligible bills[2]	**29,425**			**29,425**	25,600			25,600
Derivative financial instruments[4,7]	**52,445**	**8,092**	**39,502**	**4,851**	69,467	10,136	47,097	12,234
Accrued income	**1,674**			**1,674**	1,775			1,775
Assets held for sale	**52**			**52**	83			83
Other assets[5]	**40,068**			**40,068**	40,978			40,978
Total balance sheet	**795,687**	**220,577**	**39,502**	**535,608**	760,181	198,304	47,097	514,780
Off-balance sheet[6]								
Undrawn commitments	**158,523**	**3,848**		**154,675**	153,403	4,432		148,971
Financial guarantees and other equivalents	**58,535**	**2,240**		**56,295**	53,832	2,252		51,580
Total off-balance sheet	**217,058**	**6,088**	**–**	**210,970**	207,235	6,684	–	200,551
Total	**1,012,745**	**226,665**	**39,502**	**746,578**	967,416	204,988	47,097	715,331

1 Net of credit impairment. An analysis of credit quality is set out in the credit quality analysis section (page 205). Further details of collateral held by client segment and stage are set out in the collateral analysis section (page 222)

2 Excludes equity and other investments of $737 million (31 December 2020: $454 million). Further details are set out in Note 13 Financial instruments

3 Excludes equity and other investments of $5,861 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. Loans and advances to customers collateral now re-presented between on and off -balance sheet as it also includes guarantees

Analysis of financial instrument by stage (audited)

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

The proportion of financial instruments held within stage 1 improved by 1 per cent to 94.8 per cent (2020: 93.8 per cent). Total stage 1 balances increased by $47 billion, of which around $23 billion was in loans and advances to customers. Of the $23 billion increase in loans to customers, $11 billion was in Corporate, Commercial and Institutional Banking and $8 billion was in Consumer, Private and Business Banking across Mortgage and Secured wealth products. Off-balance sheet exposures increased by $11.3 billion due to an increase of $5.8 billion in undrawn commitments and a $5.4 billion increase in financial guarantees, trade credits and irrevocable letter of credit.

Stage 2 financial instruments reduced to $34.6 billion (2020: $39.9 billion) due to exposure changes and partly due to transfers to stage 1 in Corporate, Commercial and Institutional Banking as early alert balances reduced. As a result, the proportion of loans and advances to customers classified in stage 2 also reduced to $16.8 billion or 6 per cent (2020: $22.6 billion or 8 per cent).

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

	2021											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million
Cash and balances at central banks	72,601	–	72,601	66	(4)	62	–	–	–	72,667	(4)	72,663
Loans and advances to banks (amortised cost)	43,776	(12)	43,764	580	(4)	576	54	(11)	43	44,410	(27)	44,383
Loans and advances to customers (amortised cost)	279,178	(473)	278,705	16,849	(524)	16,325	8,095	(4,657)	3,438	304,122	(5,654)	298,468
Debt securities and other eligible bills[5]	157,352	(67)		5,315	(42)		113	(66)		162,780	(175)	
Amortised cost	41,092	(13)	41,079	200	(1)	199	113	(66)	47	41,405	(80)	41,325
FVOCI[2]	116,260	(54)		5,115	(41)		–	–		121,375	(95)	–
Accrued income (amortised cost)[4]	1,674	–	1,674	–	–	–	–	–	–	1,674	–	1,674
Assets held for sale[4]	52	–	52	–	–	–	–	–	–	52	–	52
Other assets	40,067	–	40,067	–	–	–	4	(3)	1	40,071	(3)	40,068
Undrawn commitments[3]	149,530	(42)		8,993	(60)		–	–		158,523	(102)	
Financial guarantees, trade credits and irrevocable letters of credit[3]	54,923	(15)		2,813	(22)		799	(207)		58,535	(244)	
Total	799,153	(609)		34,616	(656)		9,065	(4,944)		842,834	(6,209)	

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 $33 million originated credit-impaired debt securities

	2020											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million
Cash and balances at central banks	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 letters of credit[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 (audited)

Credit quality by client segment

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

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

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

Stage 1:

Stage 1 gross loans and advances to customers increased by $23 billion compared with 31 December 2020 and represent an increase of 3 per cent. Stage 1 gross balances represent 92 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 and Institutional Banking, the proportion of stage 1 loans has increased to 85 per cent (2020: 80 per cent), and the percentage of stage 1 loans rated as strong is higher at 64 per cent (2020: 58 per cent) as the Group continues to focus on the origination of investment grade lending. Stage 1 loans increased by $11 billion, primarily in the Government, Manufacturing and Consumer durables sectors.

Consumer, Private and Business Banking stage 1 loans increased by $8 billion primarily driven by new lending in Mortgage and Secured wealth products. The proportion rated as strong remained stable at 96 per cent.

Stage 2:

Stage 2 gross loans and advances to customers decreased by $6 billion compared with 31 December 2020, and the proportion of stage 2 loans also reduced to 5.5 per cent from 7.9 per cent per cent due to changes in exposures and also due to transfers to stage 1 in Corporate, Commercial and Institutional Banking.

Consumer, Private and Business Banking stage 2 loans saw a decrease of $0.7 billion, mainly driven by mortgage loans movement from stage 2 to stage 1 due to forward-looking macroeconomic outlook improvement.

Stage 2 loans to customers classified as 'Higher risk' decreased by $0.9 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 from 3.3 per cent to 3.1 per cent.

Stage 3:

Stage 3 gross loans and advances to customers decreased by 12 per cent to $8.1 billion compared with 31 December 2020 of $9.2 billion. Stage 3 provisions decreased by $0.7 billion to $4.7 billion. The stage 3 cover ratio (excluding collateral) remained stable at 58 per cent.

In Corporate, Commercial and Institutional Banking, gross stage 3 loans decreased by $1.1 billion compared with 31 December 2020 due to debt sales and repayments in Asia and Africa and the Middle East regions. Provisions decreased by $0.7 billion to $3.9 billion also driven by repayments and write-offs. Corporate, Commercial and Institutional Banking cover ratio decreased by 1 per cent as a result of write-offs and new accounts with a lower coverage than existing stage 3 loans.

In Consumer, Private and Business Banking, stage 3 loans remained stable at 1 per cent of the portfolio while the cover ratio improved by 4 per cent to 51 per cent (2020: 47 per cent) due to a new provision taken on a Business Banking client.

Loans and advances by client segment (audited)

	2021							
		Customers						
Amortised cost	Banks $million	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Central & other items $million	Customer Total $million	Undrawn commitments $million	Financial guarantees $million
Stage 1	43,776	122,368	134,371	22,439	279,178	149,530	54,923
– Strong	30,813	77,826	129,568	22,333	229,727	132,274	37,418
– Satisfactory	12,963	44,542	4,803	106	49,451	17,256	17,505
Stage 2	580	14,818	1,921	110	16,849	8,993	2,813
– Strong	126	2,366	1,253	–	3,619	2,786	714
– Satisfactory	105	11,180	308	–	11,488	5,235	1,546
– Higher risk	349	1,272	360	110	1,742	972	553
Of which (stage 2):							
– Less than 30 days past due	–	77	308	–	385	–	–
– More than 30 days past due	–	49	360	–	409	–	–
Stage 3, credit-impaired financial assets	54	6,520	1,575	–	8,095	–	799
Gross balance[1]	44,410	143,706	137,867	22,549	304,122	158,523	58,535
Stage 1	(12)	(103)	(370)	–	(473)	(42)	(15)
– Strong	(4)	(58)	(283)	–	(341)	(23)	(5)
– Satisfactory	(8)	(45)	(87)	–	(132)	(19)	(10)
Stage 2	(4)	(341)	(183)	–	(524)	(60)	(22)
– Strong	(2)	(62)	(104)	–	(166)	(6)	(1)
– Satisfactory	(2)	(179)	(32)	–	(211)	(46)	(9)
– Higher risk	–	(100)	(47)	–	(147)	(8)	(12)
Of which (stage 2):							
– Less than 30 days past due	–	(2)	(32)	–	(34)	–	–
– More than 30 days past due	–	(3)	(47)	–	(50)	–	–
Stage 3, credit-impaired financial assets	(11)	(3,861)	(796)	–	(4,657)	–	(207)
Total credit impairment	(27)	(4,305)	(1,349)	–	(5,654)	(102)	(244)
Net carrying value	44,383	139,401	136,518	22,549	298,468		
Stage 1	0.0%	0.1%	0.3%	0.0%	0.2%	0.0%	0.0%
– Strong	0.0%	0.1%	0.2%	0.0%	0.1%	0.0%	0.0%
– Satisfactory	0.1%	0.1%	1.8%	0.0%	0.3%	0.1%	0.1%
Stage 2	0.7%	2.3%	9.5%	0.0%	3.1%	0.7%	0.8%
– Strong	1.6%	2.6%	8.3%	0.0%	4.6%	0.2%	0.1%
– Satisfactory	1.9%	1.6%	10.4%	0.0%	1.8%	0.9%	0.6%
– Higher risk	0.0%	7.9%	13.1%	0.0%	8.4%	0.8%	2.2%
Of which (stage 2):							
– Less than 30 days past due	0.0%	2.6%	10.4%	0.0%	8.8%	0.0%	0.0%
– More than 30 days past due	0.0%	6.1%	13.1%	0.0%	12.2%	0.0%	0.0%
Stage 3, credit-impaired financial assets (S3)	20.4%	59.2%	50.5%	0.0%	57.5%	0.0%	25.9%
Cover ratio	0.1%	3.0%	1.0%	0.0%	1.9%	0.1%	0.4%
Fair value through profit or loss							
Performing	22,574	69,356	67	1,774	71,197	–	–
– Strong	20,132	53,756	67	1,772	55,595	–	–
– Satisfactory	2,442	15,600	–	2	15,602	–	–
– Higher risk	–	–	–	–	–	–	–
Defaulted (CG13–14)	–	38	–	–	38	–	–
Gross balance (FVTPL)[2]	22,574	69,394	67	1,774	71,235	–	–
Net carrying value (incl FVTPL)	66,957	208,795	136,585	24,323	369,703	–	–

1 Loans and advances includes reverse repurchase agreements and other similar secured lending of $7,331 million under Customers and of $1,079 million under Banks, held at amortised cost

2 Loans and advances includes reverse repurchase agreements and other similar secured lending of $61,282 million under Customers and of $18,727 million under Banks, held at fair value through profit or loss

Amortised cost	2020 (Restated)						
		Customers					
	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

			Corporate, Commercial & Institutional Banking							
			2021							
			Gross				Credit impairment			
Credit grade	**Regulatory 1 year PD range (%)**	**S&P external ratings equivalent**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Strong			**77,826**	**2,366**	**–**	**80,192**	**(58)**	**(62)**	**–**	**(120)**
1A–2B	0–0.045	AA- and above	**14,013**	**216**	**–**	**14,229**	**(1)**	**–**	**–**	**(1)**
3A–4A	0.046–0.110	A+ to A-	**23,173**	**515**	**–**	**23,688**	**(3)**	**–**	**–**	**(3)**
4B–5B	0.111–0.425	BBB+ to BBB-/BB+	**40,640**	**1,635**	**–**	**42,275**	**(54)**	**(62)**	**–**	**(116)**
Satisfactory			**44,542**	**11,180**	**–**	**55,722**	**(45)**	**(179)**	**–**	**(224)**
6A–7B	0.426–1.350	BB+/BB to BB-	**27,009**	**2,894**	**–**	**29,903**	**(21)**	**(40)**	**–**	**(61)**
8A–9B	1.351–4.000	BB-/B+ to B+/B	**11,910**	**5,592**	**–**	**17,502**	**(13)**	**(90)**	**–**	**(103)**
10A–11C	4.001–15.75	B to B-/CCC	**5,623**	**2,694**	**–**	**8,317**	**(11)**	**(49)**	**–**	**(60)**
Higher risk			**–**	**1,272**	**–**	**1,272**	**–**	**(100)**	**–**	**(100)**
12	15.751–99.999	CCC/C	**–**	**1,272**	**–**	**1,272**	**–**	**(100)**	**–**	**(100)**
Defaulted			**–**	**–**	**6,520**	**6,520**	**–**	**–**	**(3,861)**	**(3,861)**
13–14	100	Defaulted	**–**	**–**	**6,520**	**6,520**	**–**	**–**	**(3,861)**	**(3,861)**
Total			**122,368**	**14,818**	**6,520**	**143,706**	**(103)**	**(341)**	**(3,861)**	**(4,305)**

			2020 (Restated[1])							
			Gross				Credit impairment			
Credit grade	Regulatory 1 year PD range (%)	S&P external ratings equivalent	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

Credit grade	Consumer, Private & Business Banking 2021 Gross Stage 1	Stage 2	Stage 3	Total	Credit impairment Stage 1	Stage 2	Stage 3	Total
Strong	**129,568**	**1,253**	**–**	**130,821**	**(283)**	**(104)**	**–**	**(387)**
Secured	**112,167**	**884**	**–**	**113,051**	**(48)**	**(19)**	**–**	**(67)**
Unsecured	**17,401**	**369**	**–**	**17,770**	**(235)**	**(85)**	**–**	**(320)**
Satisfactory	**4,803**	**308**	**–**	**5,111**	**(87)**	**(32)**	**–**	**(119)**
Secured	**4,524**	**164**	**–**	**4,688**	**(44)**	**(1)**	**–**	**(45)**
Unsecured	**279**	**144**	**–**	**423**	**(43)**	**(31)**	**–**	**(74)**
Higher risk	**–**	**360**	**–**	**360**	**–**	**(47)**	**–**	**(47)**
Secured	**–**	**250**	**–**	**250**	**–**	**(11)**	**–**	**(11)**
Unsecured	**–**	**110**	**–**	**110**	**–**	**(36)**	**–**	**(36)**
Defaulted	**–**	**–**	**1,575**	**1,575**	**–**	**–**	**(796)**	**(796)**
Secured			**1,107**	**1,107**			**(516)**	**(516)**
Unsecured	**–**	**–**	**468**	**468**	**–**	**–**	**(280)**	**(280)**
Total	**134,371**	**1,921**	**1,575**	**137,867**	**(370)**	**(183)**	**(796)**	**(1,349)**

Credit grade	2020 (Restated[1]) Gross Stage 1	Stage 2	Stage 3	Total	Credit impairment 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

	2021				2020 (Restated)			
Amortised cost	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million	Asia[3] $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Gross (stage 1)	**235,123**	**19,990**	**24,065**	**279,178**	211,668	21,144	23,625	256,437
Provision (stage 1)	**(371)**	**(86)**	**(16)**	**(473)**	(423)	(96)	(15)	(534)
Gross (stage 2)	**8,779**	**4,077**	**3,993**	**16,849**	13,771	6,251	2,639	22,661
Provision (stage 2)	**(318)**	**(137)**	**(69)**	**(524)**	(418)	(255)	(65)	(738)
Gross (stage 3)[2]	**4,448**	**2,918**	**729**	**8,095**	4,790	3,473	951	9,214
Provision (stage 3)	**(2,400)**	**(1,970)**	**(287)**	**(4,657)**	(2,483)	(2,313)	(545)	(5,341)
Net loans[1]	**245,261**	**24,792**	**28,415**	**298,468**	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

	2021				2020 (Restated)			
Amortised cost	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million	Asia[2] $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Gross (stage 1)	**29,916**	**5,828**	**8,032**	**43,776**	31,448	5,539	7,028	44,015
Provision (stage 1)	**(3)**	**(5)**	**(4)**	**(12)**	(9)	(3)	(2)	(14)
Gross (stage 2)	**346**	**144**	**90**	**580**	107	207	35	349
Provision (stage 2)	**(1)**	**(1)**	**(2)**	**(4)**	(1)	(2)	–	(3)
Gross (stage 3)	**54**	**–**	**–**	**54**	–	–	–	–
Provision (stage 3)	**(11)**	**–**	**–**	**(11)**	–	–	–	–
Net loans[1]	**30,301**	**5,966**	**8,116**	**44,383**	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 (audited)

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

Methodology

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

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

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

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

Movements during the year

Stage 1 gross exposures increased by $42 billion to $685 billion when compared with 31 December 2020. Half of this increase in exposures was in Corporate, Commercial and Institutional Banking, from new originations and transfers from stage 2 in part due to upgrades of accounts from non-purely precautionary early alert. There was a $9 billion increase in Consumer, Private and Business Banking which was mainly driven by new originations in mortgage and secured wealth products. Additionally, there was a $8 billion increase in debt securities in stage 1.

Total stage 1 provisions decreased by $54 million to $609 million, primarily in Consumer, Private and Business Banking unsecured lending, due to an improvement in macroeconomic forecasts for Singapore and Hong Kong. Corporate, Commercial and Institutional Banking provisions increased by $9 million primarily due to an overlay taken for China Commercial real estate exposures of $31 million offset by improvement in probability of default.

Stage 2 gross exposures decreased by $5 billion to $35 billion, primarily driven by $6 billion of net outflows from exposure changes and transfers to stage 1 in Corporate, Commercial and Institutional Banking, particularly in the Manufacturing and Commercial Real Estate sectors. Consumer, Private and Business Banking exposures decreased by $0.9 billion, of which $0.7 billion was from the secured portfolio (mainly mortgages in Asia), and $0.2 billion was from unsecured portfolios. Debt securities increased by $1.8 billion mainly due to the Sri Lanka sovereign downgrade.

Stage 2 provisions decreased by $229 million compared to 31 December 2020, $174 million of which was in Corporate, Commercial and Institutional Banking as a result of exposure changes and transfers to stage 1, repayment of exposures, increased collateral and a net reduction of $31 million in judgemental management overlays (which are reported in 'Changes in risk parameters' in the table). The COVID-19 management overlay reduced by $95 million as early alert balances fell, this was partly offset by an overlay taken for China Commercial Real Estate exposures of $64 million. Consumer, Private and Business Banking provisions decreased by $72 million, mainly in unsecured lending from improvement in macroeconomic forecasts, and lower delinquencies as conditions normalised in a number of our markets.

The impact of changes in macroeconomic forecasts decreased provisions by $5 million (2020: increase of $81 million), which includes a $51 million multiple economic scenario post model adjustment.

New ECL models implemented during the year decreased provisions by $3 million.

In Corporate, Commercial and Institutional Banking, gross stage 3 loans decreased by $1.1 billion compared with 31 December 2020 due to debt sales and repayments in Asia and Africa and the Middle East regions. Provisions decreased by $0.7 billion to $3.9 billion also driven by repayments and write-offs. Corporate, Commercial and Institutional Banking cover ratio decreased by 1 per cent as a result of write-offs and new accounts with a lower coverage than existing stage 3 loans. Consumer, Private and Business Banking total stage 3 loans remained broadly stable at $1.6 billion.

All segments (audited)

Amortised cost and FVOCI	Stage 1 Gross balance[7] $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance[7] $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance[7] $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance[7] $million	Total Total credit impairment $million	Total Net $million
As at 1 January 2020	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	**25,975**	**(620)**	**25,355**	**(25,924)**	**620**	**(25,304)**	**(51)**	**–**	**(51)**	**–**	**–**	**–**
Transfers to stage 2	**(53,994)**	**211**	**(53,783)**	**54,335**	**(220)**	**54,115**	**(341)**	**9**	**(332)**	**–**	**–**	**–**
Transfers to stage 3	**(212)**	**3**	**(209)**	**(2,822)**	**335**	**(2,487)**	**3,034**	**(338)**	**2,696**	**–**	**–**	**–**
Net change in exposures[5]	**84,288**	**(132)**	**84,156**	**(30,551)**	**169**	**(30,382)**	**(2,429)**	**661**	**(1,768)**	**51,308**	**698**	**52,006**
Net remeasurement from stage changes	**–**	**54**	**54**	**–**	**(157)**	**(157)**	**–**	**(212)**	**(212)**	**–**	**(315)**	**(315)**
Changes in risk parameters	**–**	**79**	**79**	**–**	**(89)**	**(89)**	**–**	**(915)**	**(915)**	**–**	**(925)**	**(925)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(1,215)**	**1,215**	**–**	**(1,215)**	**1,215**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**(189)**	**189**	**–**	**(189)**	**189**	**–**
Discount unwind[6]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**227**	**227**	**–**	**227**	**227**
Exchange translation differences and other movements[1]	**(14,258)**	**459**	**(13,799)**	**(275)**	**(429)**	**(704)**	**152**	**(184)**	**(32)**	**(14,381)**	**(154)**	**(14,535)**
As at 31 December 2021[2]	**684,759**	**(609)**	**684,150**	**34,550**	**(652)**	**33,898**	**9,061**	**(4,941)**	**4,120**	**728,370**	**(6,202)**	**722,168**
Income statement ECL (charge)/release[3]		**1**			**(77)**			**(466)**			**(542)**	
Recoveries of amounts previously written off		**–**			**–**			**288**			**288**	
Total credit impairment (charge)/release[4]		**1**			**(77)**			**(178)**			**(254)**	

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 gross balances of $114,464 million (2020: $109,556 million) and Total credit impairment of $7 million (2020: $8 million)

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

4 Statutory basis

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

6 Includes $171 million adjustment in relation to interest earned on impaired assets

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

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

Amortised cost and FVOCI	Stage 1			Stage 2			Stage 3			Total		
	Gross balance $million	Total credit impair-ment $million	Net $million	Gross balance $million	Total credit impair-ment $million	Net $million	Gross balance $million	Total credit impair-ment $million	Net $million	Gross balance $million	Total credit impair-ment $million	Net[3] $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	**403**	**(11)**	**392**	**(403)**	**11**	**(392)**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to stage 2	**(2,358)**	**16**	**(2,342)**	**2,358**	**(16)**	**2,342**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to stage 3	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net change in exposures[2]	**14,670**	**(39)**	**14,631**	**(155)**	**(11)**	**(166)**	**–**	**1**	**1**	**14,515**	**(49)**	**14,466**
Net remeasurement from stage changes	**–**	**13**	**13**	**–**	**(17)**	**(17)**	**–**	**–**	**–**	**–**	**(4)**	**(4)**
Changes in risk parameters	**–**	**21**	**21**	**–**	**8**	**8**	**–**	**(3)**	**(3)**	**–**	**26**	**26**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exchange translation differences and other movements[1]	**(4,679)**	**(11)**	**(4,690)**	**9**	**9**	**18**	**(1)**	**(6)**	**(7)**	**(4,671)**	**(8)**	**(4,679)**
As at 31 December 2021	**157,352**	**(67)**	**157,285**	**5,315**	**(42)**	**5,273**	**113**	**(66)**	**47**	**162,780**	**(175)**	**162,605**
Income statement ECL (charge)/release		**(5)**			**(20)**			**(2)**			**(27)**	
Recoveries of amounts previously written off		**–**			**–**			**–**			**–**	
Total credit impairment (charge)/release		**(5)**			**(20)**			**(2)**			**(27)**	

1 Includes fair value adjustments and amortisation on debt securities

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

3 FVOCI instruments are not presented net of ECL. While the presentation is on a net basis for the table, the total net on-balance sheet amount is $162,700 million (31 December 2020: $152,861 million). Refer to the Analysis of financial instrument by stage table on page 203

Corporate, Commercial and Institutional Banking (restated[2]) (audited)

	Stage 1			Stage 2			Stage 3			Total		
Amortised cost and FVOCI	**Gross balance[4] $million**	**Total credit impairment $million**	**Net $million**	**Gross balance[4] $million**	**Total credit impairment $million**	**Net $million**	**Gross balance[4] $million**	**Total credit impairment $million**	**Net $million**	**Gross balance[4] $million**	**Total credit impairment $million**	**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	**21,123**	**(243)**	**20,880**	**(21,123)**	**243**	**(20,880)**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to stage 2	**(45,354)**	**103**	**(45,251)**	**45,556**	**(112)**	**45,444**	**(202)**	**9**	**(193)**	**–**	**–**	**–**
Transfers to stage 3	**(69)**	**–**	**(69)**	**(1,989)**	**164**	**(1,825)**	**2,058**	**(164)**	**1,894**	**–**	**–**	**–**
Net change in exposures	**50,762**	**(62)**	**50,700**	**(28,447)**	**133**	**(28,314)**	**(2,082)**	**636**	**(1,446)**	**20,233**	**707**	**20,940**
Net remeasurement from stage changes	**–**	**1**	**1**	**–**	**(27)**	**(27)**	**–**	**(145)**	**(145)**	**–**	**(171)**	**(171)**
Changes in risk parameters	**–**	**41**	**41**	**–**	**(105)**	**(105)**	**–**	**(434)**	**(434)**	**–**	**(498)**	**(498)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(510)**	**510**	**–**	**(510)**	**510**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**(224)**	**224**	**–**	**(224)**	**224**	**–**
Discount unwind[3]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**191**	**191**	**–**	**191**	**191**
Exchange translation differences and other movements	**(5,783)**	**151**	**(5,632)**	**(302)**	**(122)**	**(424)**	**(90)**	**(103)**	**(193)**	**(6,175)**	**(74)**	**(6,249)**
As at 31 December 2021	**313,132**	**(163)**	**312,969**	**25,437**	**(425)**	**25,012**	**7,372**	**(4,079)**	**3,293**	**345,941**	**(4,667)**	**341,274**
Income statement ECL (charge)/release[1]		**(20)**			**1**			**57**			**38**	
Recoveries of amounts previously written off		**–**			**–**			**19**			**19**	
Total credit impairment (charge)/release		**(20)**			**1**			**76**			**57**	

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

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

3 Includes a $166 million adjustment in relation to interest earned on impaired assets

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

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

Amortised cost and FVOCI	Stage 1 Gross balance[3] $million	Stage 1 Total credit impair-ment $million	Stage 1 Net $million	Stage 2 Gross balance[3] $million	Stage 2 Total credit impair-ment $million	Stage 2 Net $million	Stage 3 Gross balance[3] $million	Stage 3 Total credit impair-ment $million	Stage 3 Net $million	Total Gross balance[3] $million	Total Total credit impair-ment $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	**4,450**	**(365)**	**4,085**	**(4,399)**	**365**	**(4,034)**	**(51)**	**–**	**(51)**	**–**	**–**	**–**
Transfers to stage 2	**(6,279)**	**91**	**(6,188)**	**6,418**	**(91)**	**6,327**	**(139)**	**–**	**(139)**	**–**	**–**	**–**
Transfers to stage 3	**(144)**	**2**	**(142)**	**(833)**	**172**	**(661)**	**977**	**(174)**	**803**	**–**	**–**	**–**
Net change in exposures	**14,748**	**(31)**	**14,717**	**(2,060)**	**47**	**(2,013)**	**(347)**	**24**	**(323)**	**12,341**	**40**	**12,381**
Net remeasurement from stage changes	**–**	**40**	**40**	**–**	**(113)**	**(113)**	**–**	**(66)**	**(66)**	**–**	**(139)**	**(139)**
Changes in risk parameters	**–**	**17**	**17**	**–**	**8**	**8**	**–**	**(480)**	**(480)**	**–**	**(455)**	**(455)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(705)**	**705**	**–**	**(705)**	**705**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**35**	**(35)**	**–**	**35**	**(35)**	**–**
Discount unwind[2]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**36**	**36**	**–**	**36**	**36**
Exchange translation differences and other movements	**(3,277)**	**313**	**(2,964)**	**24**	**(316)**	**(292)**	**247**	**(77)**	**170**	**(3,006)**	**(80)**	**(3,086)**
As at 31 December 2021	**191,542**	**(378)**	**191,164**	**3,684**	**(187)**	**3,497**	**1,578**	**(797)**	**781**	**196,804**	**(1,362)**	**195,442**
Income statement ECL (charge)/release		**26**			**(58)**			**(522)**			**(554)**	
Recoveries of amounts previously written off		**–**			**–**			**269**			**269**	
Total credit impairment (charge)/release		**26**			**(58)**			**(253)**			**(285)**	

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 Includes a $5 million adjustment in relation to interest earned on impaired assets

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

Consumer, Private and Business Banking – secured (restated[1]) (audited)

	Stage 1			Stage 2			Stage 3			Total		
Amortised cost and FVOCI	Gross balance[3] $million	Total credit impairment $million	Net $million	Gross balance[3] $million	Total credit impairment $million	Net $million	Gross balance[3] $million	Total credit impairment $million	Net $million	Gross balance[3] $million	Total credit impairment $million	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**	**(72)**	**127,376**	**3,363**	**(52)**	**3,311**	**1,058**	**(418)**	**640**	**131,869**	**(542)**	**131,327**
Transfers to stage 1	**2,884**	**(37)**	**2,847**	**(2,843)**	**37**	**(2,806)**	**(41)**	**–**	**(41)**	**–**	**–**	**–**
Transfers to stage 2	**(3,888)**	**9**	**(3,879)**	**4,007**	**(9)**	**3,998**	**(119)**	**–**	**(119)**	**–**	**–**	**–**
Transfers to stage 3	**(107)**	**1**	**(106)**	**(400)**	**8**	**(392)**	**507**	**(9)**	**498**	**–**	**–**	**–**
Net change in exposures	**13,611**	**(9)**	**13,602**	**(1,452)**	**3**	**(1,449)**	**(224)**	**24**	**(200)**	**11,935**	**18**	**11,953**
Net remeasurement from stage changes	**–**	**(1)**	**(1)**	**–**	**(2)**	**(2)**	**–**	**(1)**	**(1)**	**–**	**(4)**	**(4)**
Changes in risk parameters	**–**	**4**	**4**	**–**	**14**	**14**	**–**	**(144)**	**(144)**	**–**	**(126)**	**(126)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(125)**	**125**	**–**	**(125)**	**125**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**(3)**	**3**	**–**	**(3)**	**3**	**–**
Discount unwind[2]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**34**	**34**	**–**	**34**	**34**
Exchange translation differences and other movements	**(2,748)**	**9**	**(2,739)**	**10**	**(31)**	**(21)**	**50**	**(131)**	**(81)**	**(2,688)**	**(153)**	**(2,841)**
As at 31 December 2021	**137,200**	**(96)**	**137,104**	**2,685**	**(32)**	**2,653**	**1,103**	**(517)**	**586**	**140,988**	**(645)**	**140,343**
Income statement ECL (charge)/release		**(6)**			**15**			**(121)**			**(112)**	
Recoveries of amounts previously written off		**–**			**–**			**68**			**68**	
Total credit impairment (charge)/release		**(6)**			**15**			**(53)**			**(44)**	

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2 Includes a $5 million adjustment in relation to interest earned on impaired assets

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

Consumer, Private and Business Banking – unsecured (restated[1]) (audited)

Amortised cost and FVOCI	Stage 1 Gross balance[2] $million	Stage 1 Total credit impair-ment $million	Stage 1 Net $million	Stage 2 Gross balance[2] $million	Stage 2 Total credit impair-ment $million	Stage 2 Net $million	Stage 3 Gross balance[2] $million	Stage 3 Total credit impair-ment $million	Stage 3 Net $million	Total Gross balance[2] $million	Total Total credit impair-ment $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**	**(373)**	**54,223**	**1,171**	**(207)**	**964**	**503**	**(312)**	**191**	**56,270**	**(892)**	**55,378**
Transfers to stage 1	**1,566**	**(328)**	**1,238**	**(1,556)**	**328**	**(1,228)**	**(10)**	**–**	**(10)**	**–**	**–**	**–**
Transfers to stage 2	**(2,391)**	**82**	**(2,309)**	**2,411**	**(82)**	**2,329**	**(20)**	**–**	**(20)**	**–**	**–**	**–**
Transfers to stage 3	**(37)**	**1**	**(36)**	**(433)**	**164**	**(269)**	**470**	**(165)**	**305**	**–**	**–**	**–**
Net change in exposures	**1,137**	**(22)**	**1,115**	**(608)**	**44**	**(564)**	**(123)**	**–**	**(123)**	**406**	**22**	**428**
Net remeasurement from stage changes	**–**	**41**	**41**	**–**	**(111)**	**(111)**	**–**	**(65)**	**(65)**	**–**	**(135)**	**(135)**
Changes in risk parameters	**–**	**13**	**13**	**–**	**(6)**	**(6)**	**–**	**(336)**	**(336)**	**–**	**(329)**	**(329)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(580)**	**580**	**–**	**(580)**	**580**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**38**	**(38)**	**–**	**38**	**(38)**	**–**
Discount unwind	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2**	**2**	**–**	**2**	**2**
Exchange translation differences and other movements	**(529)**	**304**	**(225)**	**14**	**(285)**	**(271)**	**197**	**54**	**251**	**(318)**	**73**	**(245)**
As at 31 December 2021	**54,342**	**(282)**	**54,060**	**999**	**(155)**	**844**	**475**	**(280)**	**195**	**55,816**	**(717)**	**55,099**
Income statement ECL (charge)/release		**32**			**(73)**			**(401)**			**(442)**	
Recoveries of amounts previously written off		**–**			**–**			**201**			**201**	
Total credit impairment (charge)/release		**32**			**(73)**			**(200)**			**(241)**	

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

Analysis of stage 2 balances

The table below analyses total 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 31 December 2021 and 31 December 2020 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'.

	2021											
	Corporate, Commercial & Institutional banking			Consumer, Private & Business Banking			Central & other items			Total		
	Gross $million	ECL $million	Coverage %	Gross $million	ECL $million	Coverage %	Gross $million	ECL $million	Coverage %	Gross $million	ECL $million	Coverage %
Increase in PD	14,737	187	1.3%	2,704	122	4.5%	4,691	22	0.5%	22,132	331	1.5%
Non-purely precautionary early alert	5,000	26	0.5%	83	–	0.0%	–	–	0.0%	5,083	26	0.5%
Higher risk (CG12)	1,075	37	3.4%	27	1	3.2%	631	20	3.1%	1,733	57	3.3%
Sub-investment grade	235	1	0.3%	–	–	0.0%	–	–	0.0%	235	1	0.3%
Top up/Sell down (Private Banking)	–	–	0.0%	493	1	0.2%	–	–	0.0%	493	1	0.2%
Others	4,390	8	0.2%	178	2	1.2%	173	2	1.3%	4,741	13	0.3%
30 days past due	–	–	0.0%	199	18	9.3%	–	–	0.0%	199	18	9.3%
Management overlay		166			42					–	208	
Total stage 2	25,437	425	1.7%	3,684	187	5.1%	5,495	44	0.8%	34,616	656	1.9%

	2020											
	Corporate, Commercial & Institutional banking			Consumer, Private & Business Banking			Central & other items			Total		
	Gross $million	ECL $million	Coverage %	Gross $million	ECL $million	Coverage %	Gross $million	ECL $million	Coverage %	Gross $million	ECL $million	Coverage %
Increase in PD	19,680	326	1.7%	3,219	152	4.7%	1,966	9	0.5%	24,865	487	2.0%
Non-purely precautionary early alert	6,983	28	0.4%	–	–	0.0%	–	–	0.0%	6,983	28	0.4%
Higher risk (CG12)	635	36	5.7%	–	–	0.0%	383	12	3.1%	1,018	48	4.7%
Sub-investment grade	317	4	1.3%	–	–	0.0%	1,018	2	0.2%	1,336	6	0.4%
Top up/Sell down (Private Banking)	–	–	0.0%	632	1	0.1%	–	–	0.0%	632	1	0.1%
Others	4,126	8	0.2%	411	1	0.3%	211	4	2.1%	4,748	14	0.3%
30 days past due	–	–	0.0%	272	27	10.0%	–	–	0.0%	272	27	10.0%
Management overlay		197			78			–			275	
Total stage 2	31,742	599	1.9%	4,534	259	5.7%	3,578	27	0.8%	39,854	885	2.2%

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

The amount of exposures in Corporate, Commercial and Institutional Banking placed on non-purely precautionary early alert decreased during the year and as a result the proportion of stage 2 driven by this category decreased. Although 'Higher risk' lending balances decreased compared to 2020, the portion of exposures in stage 2 with a 'High risk' driver increased, as a higher proportion of CG12 accounts were included within 'Increase in PD' in 2020.

10 per cent of the provisions held against stage 2 Consumer, Private and Business Banking exposures arise from the application of the 30 days past due backstop, although this represents only 5 per cent of exposures. The proportion of PD driven exposures in stage 2 has reduced compared to 2020 as the impact of COVID-19 measures reduced in the Group's major Consumer Banking markets.

The Central and other items segment has seen a significant increase in the 'Higher risk' category at 31 December 2021 primarily due to newly downgraded sovereign counterparties in Sri Lanka.

'Others' primarily incorporates exposures where origination data is incomplete and the exposures are allocated into stage 2.

Credit impairment charge (restated[1]) (audited)

The ongoing credit impairment is a net charge of $263 million (2020: $2,294 million). The net charge of $263 million is divided across Consumer, Private and Business Banking $285 million and $22 million in Central and other items, partly offset by release of $44 million in Corporate, Commercial and Institutional Banking.

Stage 1 and 2 impairment is a net charge of $78 million.

Corporate, Commercial and Institutional Banking stage 1 and 2 is a net charge of $23 million, due to a $30 million charge from a post model adjustment for multiple economic scenarios, $24 million charge on sovereign downgrade of Sri Lanka, offset by decline in stage 2 exposures reflecting lower levels of non-purely precautionary early alert exposures, additional collateral and improvement in probability of default. The COVID-19 management overlay reduced by $95 million although this was offset by a new, separately assessed management overlay in Q4 2021 of $95 million for China Commercial Real Estate exposures.

Consumer, Private and Business Banking credit impairment has also decreased (2021: $285 million, 2020: $741 million). Stage 1 and 2 impairment reduced to $32 million at the end of 2021 (2020: $413 million) mainly due to ECL reversals as the forward-looking macroeconomic outlook improved in relative terms.

The Central and other items segment stage 1 and 2 is a net charge of $23 million primarily due to multiple economic scenario post model adjustments.

Stage 3 impairment is a net charge of $185 million.

There was a release of $67 million from Corporate, Commercial and Institutional Banking stage 3 credit impairment due to significant recoveries during the year. Consumer, Private and Business Banking stage 3 credit impairment of $253 million decreased from $328 million, driven by better recoveries.

Restructuring (audited)

There was a net $9 million impairment release from the Group's discontinued businesses.

	2021			2020 (Restated)		
	Stage 1 & 2 $million	Stage 3 $million	Total $million	Stage 1 & 2 $million	Stage 3 $million	Total $million
Ongoing business portfolio						
Corporate, Commercial & Institutional Banking[1]	23	(67)	(44)	390	1,139	1,529
Consumer, Private & Business Banking[1]	32	253	285	413	328	741
Central & other items	23	(1)	22	24	–	24
Credit impairment charge/(release)	78	185	263	827	1,467	2,294
Restructuring business portfolio						
Others	(2)	(7)	(9)	–	31	31
Credit impairment charge/(release)	(2)	(7)	(9)	–	31	31
Total credit impairment charge/(release)	76	178	254	827	1,498	2,325

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. 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 were in place across most of our markets during 2020 and 2021, particularly focused on Consumer, Private and Business Banking customers. Measures in most markets have now expired, although moratoria schemes in certain Africa and the Middle East countries have been extended to 30 June 2022.

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 and the Middle East, compulsory (regulatory approved) moratoria reliefs are applied to all eligible loans unless a customer has specifically asked to opt out.

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

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

Assessment for expected credit losses

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

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

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

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

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

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

The Consumer, Private and Business Banking portfolio under moratoria reduced to $1,182 million compared to $2,372 million at the end of 2020 and a peak of $8.9 billion in the first half 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. 51 per cent of relief measures are fully secured. 31 per cent of the total amounts approved are to Business Banking customers, concentrated in industries that have been materially disrupted. 79 per cent of the total amounts approved are in stage 1 and 2 per cent in stage 2, the latter mainly in Malaysia where compulsory (regulatory mandated) relief measures are in place. 79 per cent of stage 2 accounts under relief measures are collateralised by immovable property.

In Corporate, Commercial and Institutional Banking, 0.2 per cent of the portfolio are subject to relief measures. Around 68 per cent of the amounts approved are for tenor extensions of 90 days or less and approximately 17 per cent of the reliefs granted are to clients in vulnerable sectors.

COVID-19 relief measures

	Total		Asia		Africa & Middle East[1]		Europe & Americas	
Segment/Product	Outstanding $million	% of portfolio[2]	Outstanding $million	% of portfolio[2]	Outstanding $million	% of portfolio[2]	Outstanding $million	% of portfolio[2]
Credit cards & Personal loans	217	1.2%	74	0.5%	143	7.7%		
Mortgages & Auto	600	0.7%	590	0.7%	10	0.6%		
Business banking	365	4.3%	365	4.4%	–	0.0%		
Total Consumer, Private and Business Banking	**1,182**	**0.9%**	**1,029**	**0.9%**	**153**	**3.1%**		
Corporate, Commercial & Institutional Banking	**511**	**0.2%**	**388**		**113**			**10**
Total at 31 December 2021	**1,693**	**0.5%**	**1,417**		**266**			**10**
Total Consumer, Private and Business Banking	2,372	1.8%	2,206		166			
Corporate, Commercial & Institutional Banking	1,195	0.6%	746		429			20
Total at 31 December 2020	3,567	1.0%	2,952		595			20

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

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

Problem credit management and provisioning (audited)

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 decreased by $499 million to $1,529 million, compared with 31 December 2020, $718 million of which was in performing forborne loans offset by an increase of $219 million in non-performing forborne loans. Just under half of the total decrease in forborne loans was in Corporate, Commercial and Institutional Banking, primarily driven by cures out of performing forborne loans in Africa and the Middle East, with the remainder of the decrease due to lower performing forborne loans in Consumer, Private and Business Banking mainly driven by full repayment of a significant outstanding loan account in Private Banking.

The table below presents loans with forbearance measures by segment.

Amortised cost	2021 Corporate, Commercial & Institutional Banking $million	2021 Consumer, Private & Business Banking $million	2021 Total $million	2020 (Restated)[3] Corporate, Commercial & Institutional Banking $million	2020 (Restated)[3] Consumer, Private & Business Banking $million	2020 (Restated)[3] Total $million
All loans with forbearance measures	**2,526**	**406**	**2,932**	2,890	703	3,593
Credit impairment (stage 1 and 2)	**(4)**	**–**	**(4)**	(3)	(1)	(4)
Credit impairment (stage 3)	**(1,237)**	**(162)**	**(1,399)**	(1,380)	(181)	(1,561)
Net carrying value	**1,285**	**244**	**1,529**	1,507	521	2,028
Included within the above table						
Gross performing forborne loans	**272**	**59**	**331**	698	351	1,049
Modification of terms and conditions[1]	**257**	**59**	**316**	696	351	1,047
Refinancing[2]	**15**	**–**	**15**	2	–	2
Impairment provisions	**(4)**	**–**	**(4)**	(3)	(1)	(4)
Modification of terms and conditions[1]	**(4)**	**–**	**(4)**	(3)	(1)	(4)
Refinancing[2]	**–**	**–**	**–**	–	–	–
Net performing forborne loans	**268**	**59**	**327**	695	350	1,045
Collateral	**65**	**56**	**121**	329	23	352
Gross non-performing forborne loans	**2,253**	**348**	**2,601**	2,192	352	2,544
Modification of terms and conditions[1]	**2,095**	**348**	**2,443**	2,022	352	2,374
Refinancing[2]	**158**	**–**	**158**	170	–	170
Impairment provisions	**(1,237)**	**(162)**	**(1,399)**	(1,380)	(181)	(1,561)
Modification of terms and conditions[1]	**(1,106)**	**(162)**	**(1,268)**	(1,248)	(181)	(1,429)
Refinancing[2]	**(131)**	**–**	**(131)**	(132)	–	(132)
Net non-performing forborne loans	**1,016**	**186**	**1,202**	812	171	983
Collateral	**236**	**62**	**298**	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 and Private Banking and Retail Banking to Consumer, Private & Business Banking. Prior period has been restated

Forborne and other modified loans by region

Amortised cost	2021 Asia $million	2021 Africa & Middle East $million	2021 Europe & Americas $million	2021 Total $million	2020 (Restated) Asia[1] $million	2020 (Restated) Africa & Middle East $million	2020 (Restated) Europe & Americas $million	2020 (Restated) Total $million
Performing forborne loans	**205**	**76**	**46**	**327**	135	585	325	1,045
Stage 3 forborne loans	**572**	**137**	**493**	**1,202**	639	164	180	983
Net forborne loans	**777**	**213**	**539**	**1,529**	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 (audited)

Gross stage 3 loans for the Group is $8.1 billion (2020: $9.2 billion). The reduction in loans was primarily driven by Corporate, Commercial and Institutional Banking debt sales and repayments in Asia and Africa and the Middle East regions.

Inflows into stage 3 for Corporate, Commercial and Institutional Banking were lower by 53 per cent at $1.7 billion, compared with $3.6 billion in 2020 and remain low compared to historical norms. The new inflows in 2021 were mainly in Asia and Africa and the Middle East.

Gross stage 3 loans in Consumer, Private and Business Banking remained broadly stable at $1.6 billion.

Stage 3 cover ratio (audited)

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

The balance of stage 3 loans not covered by stage 3 impairment provisions represents the adjusted value of collateral held and the net outcome of any workout or recovery strategies. Collateral provides risk mitigation to some degree in all client segments and supports the credit quality and cover ratio assessments post impairment provisions.

Further information on collateral is provided in the Credit Risk mitigation section.

The Corporate, Commercial and Institutional Banking cover ratio decreased by 1 per cent as a result of write-offs and new accounts with a lower coverage than existing stage 3 loans.

The Consumer, Private and Business Banking cover ratio is 51 per cent (2020: 47 per cent) due to a new provision taken on a Business Banking client.

	2021			2020 (Restated[1])		
Amortised cost	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Total $million	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Total $million
Gross credit-impaired	6,520	1,575	8,095	7,652	1,562	9,214
Credit impairment provisions	(3,861)	(796)	(4,657)	(4,610)	(731)	(5,341)
Net credit-impaired	2,659	779	3,438	3,042	831	3,873
Cover ratio	59%	51%	58%	60%	47%	58%
Collateral ($ million)	805	641	1,446	1,063	643	1,706
Cover ratio (after collateral)	72%	91%	75%	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 and 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 $1.1 billion or 12 per cent compared with 31 December 2020. The decrease was primarily driven by Corporate, Commercial and Institutional Banking debt sales and repayments in Asia and Africa and the Middle East regions.

	2021				2020 (Restated)			
Amortised cost	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million	Asia[1] $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Gross credit-impaired	4,448	2,918	729	8,095	4,790	3,473	951	9,214
Credit impairment provisions	(2,401)	(1,970)	(286)	(4,657)	(2,483)	(2,313)	(545)	(5,341)
Net credit-impaired	2,047	948	443	3,438	2,307	1,160	406	3,873
Cover ratio	54%	68%	39%	58%	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 (audited)

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

The unadjusted market value of collateral across all asset types, in respect of Corporate, Commercial and Institutional Banking, without adjusting for over-collateralisation, was $346 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 overcollateralization 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 and 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 and Business Banking has increased to $103 billion (2020: $100 billion) due to an increase in Mortgages and Secured wealth products.

Stage 2 collateral reduced by $2.9 billion to $6.1 billon, due to a decrease in Corporate, Commercial and Institutional Banking and Consumer, Private and Business Banking loan balances.

Total collateral for Central and other items increased by $4.3 billion to $6.4 billion compared with 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.

	2021								
	Net amount outstanding			Collateral			Net exposure		
Amortised cost	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets $million	Total[2] $million	Stage 2 financial assets $million	Credit-impaired financial assets $million	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets $million
Corporate, Commercial & Institutional Banking[1]	**183,784**	**15,053**	**2,702**	**29,414**	**5,077**	**805**	**154,370**	**9,976**	**1,897**
Consumer, Private & Business Banking	**136,518**	**1,738**	**779**	**102,769**	**1,045**	**641**	**33,749**	**693**	**138**
Central & other items	**22,549**	**110**	**–**	**6,381**	**–**	**–**	**16,168**	**110**	**–**
Total	**342,851**	**16,901**	**3,481**	**138,564**	**6,122**	**1,446**	**204,287**	**10,779**	**2,035**

	2020 (Restated)								
	Net amount outstanding			Collateral			Net exposure		
Amortised cost	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets $million	Total[2] $million	Stage 2 financial assets $million	Credit-impaired financial assets $million	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets $million
Corporate, Commercial & Institutional Banking[1,3]	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 and Private Banking and Retail Banking to Consumer, Private & Business Banking. Prior period has been restated

Collateral – Corporate, Commercial and Institutional Banking (audited)

Collateral held against Corporate, Commercial and Institutional Banking exposures amounted to $29 billion.

Collateral taken for longer-term and sub-investment grade corporate loans improved to 49 per cent (2020: 46 per cent).

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

75 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. The reduction in tangible collateral is due to decrease in property collateral from repayments in Asia. Overall collateral remained largely flat at $29 billion as the decrease in tangible collateral held that comprises physical assets or is property based, was offset by increases in cash and investment securities by $1.4 billion, and in financial guarantee and insurance by $1.1 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 and Institutional Banking (restated[2])

Amortised cost	2021 $million	2020 $million
Maximum exposure	**183,784**	177,804
Property	**10,589**	12,872
Plant, machinery and other stock	**1,411**	1,585
Cash	**3,549**	2,066
Reverse repos	**2,042**	2,172
A- to AA+	**122**	438
BBB- to BBB+	**483**	742
Unrated	**1,437**	992
Financial guarantees and insurance	**6,616**	5,470
Commodities	**198**	222
Ships and aircraft	**5,009**	4,615
Total value of collateral[1]	**29,414**	29,002
Net exposure	**154,370**	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 and Business Banking (audited)

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.

	2021				2020			
Amortised cost	Fully secured $million	Partially secured $million	Unsecured $million	Total $million	Fully secured $million	Partially secured $million	Unsecured $million	Total $million
Maximum exposure	**117,129**	**1,329**	**18,060**	**136,518**	111,112	760	17,221	129,093
Loans to individuals								
Mortgages	**89,222**	**–**	**–**	**89,222**	85,597	–	–	85,597
CCPL	**150**	**–**	**17,031**	**17,181**	171	–	16,921	17,092
Auto	**542**	**–**	**–**	**542**	536	–	–	536
Secured wealth products	**21,495**	**–**	**–**	**21,495**	19,886	–	–	19,886
Other	**5,720**	**1,329**	**1,029**	**8,078**	4,922	760	300	5,982
Total collateral[1]				**102,769**				100,392
Net exposure[2]				**33,749**				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 (audited)

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

In mortgages, the value of property held as security significantly exceeds principal outstanding of the mortgage loans. The average LTV of the overall mortgage portfolio reduced from 45 per cent in 2020 to 41 per cent in 2021. Hong Kong, which represents 33 per cent of the mortgage portfolio, has an average LTV of 43.8 per cent. All of our other key markets continue to have low portfolio LTVs, (Korea, Singapore and Taiwan at 35.2 per cent, 43.2 per cent and 48.8 per cent respectively).

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

	2021			
Amortised cost	**Asia % Gross**	**Africa & Middle East % Gross**	**Europe & Americas % Gross**	**Total % Gross**
Less than 50 per cent	**68.2**	**27.6**	**16.8**	**66.4**
50 per cent to 59 per cent	**11.6**	**18.6**	**19.9**	**11.9**
60 per cent to 69 per cent	**8.1**	**19.6**	**37.5**	**8.9**
70 per cent to 79 per cent	**9.1**	**16.5**	**17.1**	**9.4**
80 per cent to 89 per cent	**2.4**	**9.1**	**8.7**	**2.7**
90 per cent to 99 per cent	**0.5**	**4.8**	**–**	**0.5**
100 per cent and greater	**0.1**	**3.8**	**–**	**0.2**
Average portfolio loan-to-value	**40.5**	**61.9**	**60.8**	**41.1**
Loans to individuals – mortgages ($million)	**85,765**	**1,651**	**1,806**	**89,222**

	2020 (Restated)			
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 (audited)

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 is $11.8 million (2020: $23.2 million).

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

Other Credit Risk mitigation (audited)

Other forms of Credit Risk mitigation are set out below.

Credit default swaps

The Group has entered into credit default swaps for portfolio management purposes, referencing loan assets with a notional value of $12.1 billion (2020: $10.5 billion). These credit default swaps are accounted for as financial guarantees as per IFRS 9 as they will only reimburse the holder for an incurred loss on an underlying debt instrument. The Group continues to hold the underlying assets referenced in the credit default swaps and it continues to be exposed to related Credit Risk and Foreign Exchange Rate 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 248).

Off-balance sheet exposures

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

Other portfolio analysis

This section provides maturity analysis by credit quality by industry and industry and retail products analysis by region.

Maturity analysis of loans and advances by client segment

Loans and advances to the Corporate, Commercial and Institutional Banking segment remain predominantly short-term, with $95.5 billion or 66 per cent (2020: $84.6 billion or 61 per cent) maturing in less than one year. 98 per cent (2020: 94 per cent) of loans to banks mature in less than one year, an increase compared with 2020 as net exposures increased by $1.8 billion. Shorter maturities give us the flexibility to respond promptly to events and rebalance or reduce our exposure to clients or sectors that are facing increased pressure or uncertainty.

The Consumer, Private and Business Banking short-term book of one year or less and long-term book of over five years are stable at 26 per cent (2020: 25 per cent) and 62 per cent (2020: 62 per cent) of the total portfolio respectively.

	2021			
Amortised cost	One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate, Commercial & Institutional Banking	95,454	36,953	11,299	143,706
Consumer, Private & Business Banking	35,991	16,783	85,093	137,867
Central & other items	22,318	224	7	22,549
Gross loans and advances to customers	153,763	53,960	96,399	304,122
Impairment provisions	(5,057)	(462)	(135)	(5,654)
Net loans and advances to customers	148,706	53,498	96,264	298,468
Net loans and advances to banks	43,274	955	154	44,383

	2020 (Restated)			
Amortised cost	One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate, Commercial & Institutional Banking[1]	84,554	41,133	12,962	138,649
Consumer, Private & Business Banking[1]	33,037	16,002	81,474	130,513
Central & other items	18,704	443	3	19,150
Gross loans and advances to customers	136,295	57,578	94,439	288,312
Impairment provisions	(5,722)	(743)	(148)	(6,613)
Net loans and advances to customers	130,573	56,835	94,291	281,699
Net loans and advances to banks	41,524	2,821	2	44,347

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 period has been restated

Credit quality by industry

Loans and advances

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

From an industry perspective, gross loans and advances increased by $15.8 billion to $304.1 billion compared with 31 December 2020, of which $8.5 billion was from Corporate, Commercial and Institutional Banking and the Central and other items segments, and $7.4 billion in Consumer, Private and Business Banking.

Stage 1 loans increased by $23 billion to $279.2 billion. Of the $23 billion, $15 billion were corporate loans, mainly due to new lending in Manufacturing and primarily stage transfers in the Transport, telecom and utilities, Commercial real estate and Manufacturing sectors. Consumer, Private and Business Banking increased by $8 billion, mainly from the mortgage book and secured wealth products from new originations largely from Asia. Stage 2 loans decreased by $6 billion largely due to Corporate, Commercial and Institutional Banking, in part due to transfers to stage 1. Stage 3 loans reduced by $1.1 billion to $8.1 billion due to Corporate, Commercial and Institutional Banking debt sales and repayments in Asia and Africa and the Middle East regions.

	2021											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance $million	Total credit impairment $million	Net carrying amount $million	Gross balance $million	Total credit impairment $million	Net carrying amount $million	Gross balance $million	Total credit impairment $million	Net carrying amount $million	Gross balance $million	Total credit impairment $million	Net carrying amount $million
Industry:												
Energy	10,454	(19)	10,435	2,067	(76)	1,991	998	(719)	279	13,519	(814)	12,705
Manufacturing	23,792	(9)	23,783	1,181	(30)	1,151	852	(562)	290	25,825	(601)	25,224
Financing, insurance and non-banking	24,380	(9)	24,371	1,257	(12)	1,245	268	(207)	61	25,905	(228)	25,677
Transport, telecom and utilities	12,778	(5)	12,773	4,926	(51)	4,875	966	(289)	677	18,670	(345)	18,325
Food and household products	8,093	(2)	8,091	721	(26)	695	380	(276)	104	9,194	(304)	8,890
Commercial real estate	17,680	(43)	17,637	1,787	(75)	1,712	833	(335)	498	20,300	(453)	19,847
Mining and quarrying	4,793	(3)	4,790	480	(20)	460	272	(167)	105	5,545	(190)	5,355
Consumer durables	7,069	(3)	7,066	407	(9)	398	425	(346)	79	7,901	(358)	7,543
Construction	2,279	(3)	2,276	506	(19)	487	914	(624)	290	3,699	(646)	3,053
Trading companies and distributors	1,144	(1)	1,143	117	(8)	109	143	(135)	8	1,404	(144)	1,260
Government	26,588	(2)	26,586	678	(1)	677	154	(8)	146	27,420	(11)	27,409
Other	5,757	(4)	5,753	801	(14)	787	316	(194)	122	6,874	(212)	6,662
Retail Products:												
Mortgage	87,987	(22)	87,965	862	(20)	842	599	(184)	415	89,448	(226)	89,222
CCPL and other unsecured lending	16,880	(278)	16,602	570	(132)	438	395	(254)	141	17,845	(664)	17,181
Auto	541	(1)	540	2	–	2	–	–	–	543	(1)	542
Secured wealth products	21,067	(61)	21,006	307	(10)	297	483	(291)	192	21,857	(362)	21,495
Other	7,896	(8)	7,888	180	(21)	159	97	(66)	31	8,173	(95)	8,078
Total value (customers)[1]	279,178	(473)	278,705	16,849	(524)	16,325	8,095	(4,657)	3,438	304,122	(5,654)	298,468

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $7,331 million

	2020											
	Stage 1			Stage 2			Stage 3			Total		
	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 and 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 and 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 and Institutional Banking loans and advances to customers.

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 3,500 clients.

Loans and advances to the Energy sector remained largely stable at $13.5 billion or 8 per cent (2020: $13.0 billion or 8 per cent) of total loans and advances to Corporate, Commercial and Institutional Banking. The Energy sector lending is spread across five sub-sectors and over 190 clients.

The Group provides loans to commercial real estate counterparties of $20 billion, which represents 7 per cent of total customer loans and advances. In total, $8.4 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 decreased to 50 per cent, compared with 51 per cent in 2020. The proportion of loans with an LTV greater than 80 per cent has decreased to 2 per cent, compared with 4 per cent in 2020. The China Commercial Real Estate portfolio is being closely monitored and a management overlay of $95 million has been taken to account for risks not reflected in the ECL models.

The Mortgage portfolio continues to be the largest portion of the Retail Products portfolio, at $89.4 billion. CCPL and other unsecured lending remained largely stable at $17.8 billion.

Amortised cost	2021 Asia $million	2021 Africa & Middle East $million	2021 Europe & Americas $million	2021 Total $million	2020 (Restated) Asia[1] $million	2020 (Restated) Africa & Middle East $million	2020 (Restated) Europe & Americas $million	2020 (Restated) Total $million
Industry:								
Energy	**6,265**	**2,721**	**3,719**	**12,705**	4,879	2,717	4,487	12,083
Manufacturing	**20,771**	**1,751**	**2,702**	**25,224**	17,899	2,202	3,260	23,361
Financing, insurance and non-banking	**14,184**	**905**	**10,588**	**25,677**	15,278	1,018	8,040	24,336
Transport, telecom and utilities	**11,661**	**4,218**	**2,446**	**18,325**	10,377	5,218	1,679	17,274
Food and household products	**5,497**	**2,360**	**1,033**	**8,890**	5,922	2,418	1,189	9,529
Commercial real estate	**17,150**	**1,048**	**1,649**	**19,847**	15,945	1,755	1,390	19,090
Mining and quarrying	**3,833**	**572**	**950**	**5,355**	4,080	717	892	5,689
Consumer durables	**6,742**	**398**	**403**	**7,543**	5,249	335	221	5,805
Construction	**1,839**	**814**	**400**	**3,053**	2,608	940	381	3,929
Trading companies and distributors	**1,047**	**176**	**37**	**1,260**	908	192	130	1,230
Government	**22,987**	**4,117**	**305**	**27,409**	19,416	4,880	72	24,368
Other	**4,681**	**670**	**1,311**	**6,662**	3,770	928	1,214	5,912
Retail Products:								
Mortgages	**85,765**	**1,651**	**1,806**	**89,222**	81,570	1,871	2,156	85,597
CCPL and other unsecured lending	**15,090**	**1,991**	**100**	**17,181**	14,977	2,019	96	17,092
Auto	**500**	**42**	**–**	**542**	481	55	–	536
Secured wealth products	**19,984**	**545**	**966**	**21,495**	18,120	383	1,383	19,886
Other	**7,265**	**813**	**–**	**8,078**	5,426	556	–	5,982
Net loans and advances to customers	**245,261**	**24,792**	**28,415**	**298,468**	226,905	28,204	26,590	281,699
Net loans and advances to banks	**30,301**	**5,966**	**8,116**	**44,383**	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 sectors

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

Total net on balance sheet exposure to vulnerable sectors increased by $0.5 billion to $33 billion compared to 31 December 2020 and the total net on and off-balance sheet exposure increased to 28 per cent (2020: 27 per cent) of the total net exposure in Corporate, Commercial and Institutional Banking. The increase is largely due to higher levels of undrawn commitments and financial guarantees, particularly in the Commercial real estate and Commodity traders sectors respectively.

Stage 2 loans decreased by $1.9 billion of loans to vulnerable sectors, as compared to 31 December 2020. This was primarily driven by a decrease in Commercial real estate portfolio due to transfers to stage 1.

Stage 3 loans to vulnerable sectors increased by $0.6 billion compared to 31 December 2020, mainly due to Commercial real estate and Oil and gas sectors from new downgrades from 'High risk' accounts.

The Group has net exposure of $4.0 billion (2020: $3.5 billion) to China Commercial Real Estate counterparties which are primarily booked in Hong Kong and China. $3.1 billion of this exposure is to property developers whose cashflows have been particularly impacted by policy changes to deleverage the property sector and $2.1 billion of these are on purely precautionary and non-purely precautionary early alert. As a result of ongoing uncertainties affecting this sector, the Group has taken a $95 million (2020: $nil) management overlay on credit impairment for the exposures on early alert at 31 December 2021 (see page 240). The Group is further indirectly exposed to China Commercial Real Estate through its associate investment in China Bohai Bank. Refer to Note 32 Investments in subsidiary undertakings, joint ventures and associates.

Maximum exposure

Amortised cost	2021 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]	**3,458**	**2,033**	**1,425**	**1,914**	**431**	**2,345**	**3,770**
Commodity traders	**8,732**	**262**	**8,470**	**2,434**	**6,832**	**9,266**	**17,736**
Metals & mining	**3,616**	**450**	**3,166**	**3,387**	**637**	**4,024**	**7,190**
Commercial real estate	**19,847**	**7,290**	**12,557**	**7,192**	**291**	**7,483**	**20,040**
Hotels & tourism	**2,390**	**789**	**1,601**	**1,363**	**121**	**1,484**	**3,085**
Oil & gas	**6,826**	**1,029**	**5,797**	**8,842**	**6,013**	**14,855**	**20,652**
Total	**44,869**	**11,853**	**33,016**	**25,132**	**14,325**	**39,457**	**72,473**
Total Corporate, Commercial & Institutional Banking	**139,401**	**26,294**	**113,107**	**96,406**	**49,666**	**146,072**	**259,179**
Total Group	**342,851**	**138,564**	**204,287**	**158,421**	**58,291**	**216,712**	**420,999**

Amortised cost	2020 (Restated) 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 $3.1 billion (31 December 2020: $3.9 billion) of aircraft under operating leases. Refer to page 383 – Operating lease assets

Loans and advances by stage

	2021											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance $million	Total credit impairment $million	Net carrying amount $million	Gross balance $million	Total credit impairment $million	Net carrying amount $million	Gross balance $million	Total credit impairment $million	Net carrying amount $million	Gross balance $million	Total credit impairment $million	Net carrying amount $million
Industry:												
Aviation	**1,120**	**–**	**1,120**	**2,174**	**(11)**	**2,163**	**239**	**(64)**	**175**	**3,533**	**(75)**	**3,458**
Commodity traders	**8,482**	**(4)**	**8,478**	**195**	**(5)**	**190**	**713**	**(649)**	**64**	**9,390**	**(658)**	**8,732**
Metals & mining	**3,083**	**(1)**	**3,082**	**450**	**(17)**	**433**	**219**	**(118)**	**101**	**3,752**	**(136)**	**3,616**
Commercial real estate	**17,680**	**(43)**	**17,637**	**1,787**	**(75)**	**1,712**	**833**	**(335)**	**498**	**20,300**	**(453)**	**19,847**
Hotels & tourism	**1,562**	**(1)**	**1,561**	**722**	**(9)**	**713**	**182**	**(66)**	**116**	**2,466**	**(76)**	**2,390**
Oil & gas	**4,999**	**(5)**	**4,994**	**1,595**	**(34)**	**1,561**	**486**	**(215)**	**271**	**7,080**	**(254)**	**6,826**
Total	**36,926**	**(54)**	**36,872**	**6,923**	**(151)**	**6,772**	**2,672**	**(1,447)**	**1,225**	**46,521**	**(1,652)**	**44,869**
Total Corporate, Commercial & Institutional Banking	**122,368**	**(103)**	**122,265**	**14,818**	**(341)**	**14,477**	**6,520**	**(3,861)**	**2,659**	**143,706**	**(4,305)**	**139,401**
Total Group	**322,954**	**(485)**	**322,469**	**17,429**	**(528)**	**16,901**	**8,149**	**(4,668)**	**3,481**	**348,532**	**(5,681)**	**342,851**

	2020 (Restated)											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance $million	Total credit impairment $million	Net carrying amount $million	Gross balance $million	Total credit impairment $million	Net carrying amount $million	Gross balance $million	Total credit impairment $million	Net carrying amount $million	Gross balance $million	Total credit impairment $million	Net carrying amount $million
Industry:												
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)

	2021				2020 (Restated)			
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million	Asia[2] $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Industry:								
Aviation[1]	**1,356**	**1,214**	**888**	**3,458**	1,795	1,492	968	4,255
Commodity traders	**4,352**	**660**	**3,720**	**8,732**	4,617	780	3,267	8,664
Metals & mining	**2,736**	**492**	**388**	**3,616**	2,825	597	460	3,882
Commercial real estate	**17,150**	**1,048**	**1,649**	**19,847**	15,945	1,755	1,390	19,090
Hotel & tourism	**1,464**	**397**	**529**	**2,390**	1,692	512	353	2,557
Oil & gas	**2,770**	**2,248**	**1,808**	**6,826**	3,334	2,036	1,829	7,199
Total	**29,828**	**6,059**	**8,982**	**44,869**	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	2021 Aviation Gross $million	Commodity traders Gross $million	Metals & mining Gross $million	Commercial real estate Gross $million	Hotels & tourism Gross $million	Oil & gas Gross $million	Total Gross $million
Strong	896	5,878	1,730	9,581	731	3,594	22,410
Satisfactory	2,257	2,788	1,781	9,735	1,353	2,892	20,806
Higher risk	141	11	22	151	200	108	633
Defaulted	239	713	219	833	182	486	2,672
Total gross balance	3,533	9,390	3,752	20,300	2,466	7,080	46,521
Strong	–	(1)	–	(92)	–	–	(93)
Satisfactory	(8)	(5)	(14)	(21)	(4)	(24)	(76)
Higher risk	(3)	(3)	(4)	(5)	(6)	(15)	(36)
Defaulted	(64)	(649)	(118)	(335)	(66)	(215)	(1,447)
Total credit impairment	(75)	(658)	(136)	(453)	(76)	(254)	(1,652)
Strong	0.0%	0.0%	0.0%	1.0%	0.0%	0.0%	0.4%
Satisfactory	0.4%	0.2%	0.8%	0.2%	0.3%	0.8%	0.4%
Higher risk	2.1%	27.3%	18.2%	3.3%	3.0%	13.9%	5.7%
Defaulted	26.8%	91.0%	53.9%	40.2%	36.3%	44.2%	54.2%
Cover ratio	2.1%	7.0%	3.6%	2.2%	3.1%	3.6%	3.6%

Credit grade	2020 (Restated) Aviation[1] Gross $million	Commodity traders Gross $million	Metals & mining Gross $million	Commercial real estate Gross $million	Hotels & 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

Debt securities and other eligible bills (audited)

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

The standard credit ratings used by the Group are those used by Standard & Poor's or its equivalent. Debt securities held that have a short-term rating are reported against the long-term rating of the issuer. For securities that are unrated, the Group applies an internal credit rating, as described under the credit rating and measurement section (page 265).

Total gross debt securities and other eligible bills increased by $9.8 billion to $162.8 billion. The increase in holdings of debt securities and other eligible bills is mainly due to Treasury Markets utilising excess liquidity from the growth in the Group's balance sheet. Of the total increase, 82 per cent is in stage 1 with the remaining 18 per cent in stage 2. Most securities held are highly rated to meet liquidity regulatory requirement. This can be observed in the increase of stage 1 securities rated A- and above of $9.4 billion.

Amortised cost and FVOCI	2021 Gross $million	2021 ECL $million	2021 Net[2] $million	2020 Gross $million	2020 ECL $million	2020 Net[2] $million
Stage 1	**157,352**	**(67)**	**157,285**	149,316	(56)	149,260
AAA	**75,920**	**(23)**	**75,897**	64,209	(10)	64,199
AA- to AA+	**40,577**	**(8)**	**40,569**	40,377	(2)	40,375
A- to A+	**23,993**	**(3)**	**23,990**	26,551	(3)	26,548
BBB- to BBB+	**11,071**	**(27)**	**11,044**	12,588	(31)	12,557
Lower than BBB-	**1,123**	**(1)**	**1,122**	398	(1)	397
Unrated	**4,668**	**(5)**	**4,663**	5,193	(9)	5,184
Stage 2	**5,315**	**(42)**	**5,273**	3,506	(26)	3,480
AAA	**641**	**(7)**	**634**	24	–	24
AA- to AA+	**592**	**(3)**	**589**	–	–	–
A- to A+	**22**	**(1)**	**21**	50	(2)	48
BBB- to BBB+	**2,869**	**(10)**	**2,859**	2,693	(7)	2,686
Lower than BBB-	**809**	**(21)**	**788**	415	(11)	404
Unrated	**382**	**–**	**382**	324	(6)	318
Stage 3	**113**	**(66)**	**47**	114	(58)	56
Lower than BBB-	**–**	**–**	**–**	–	–	–
Unrated	**113**	**(66)**	**47**	114	(58)	56
Gross balance[1]	**162,780**	**(175)**	**162,605**	152,936	(140)	152,796

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

2 FVOCI instruments are not presented net of ECL. While the presentation is on a net basis for the table, the total net on-balance sheet amount is $162,700 million (31 December 2020: $152,861 million). Refer to the Analysis of financial instrument by stage table on page 203

IFRS 9 expected credit loss methodology (audited)

Approach for determining expected credit losses

Credit loss terminology

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

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

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

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

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

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

- For medium-sized retail portfolios, a roll rate model is applied, which uses a matrix that gives the average loan migration rate between delinquency states from period to period. A matrix multiplication is then performed to generate the final PDs by delinquency bucket over different time horizons.

- For smaller retail portfolios, loss rate models are applied. These use an adjusted gross charge-off rate, developed using monthly write-off and recoveries over the preceding 12 months and total outstanding balances.
- While the loss rate models do not incorporate forward-looking information, to the extent that there are significant changes in the macroeconomic forecasts an assessment will be completed on whether an adjustment to the modelled output is required.

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

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

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

Application of lifetime

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

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

Composition of credit impairment provisions (audited)

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

Modelled ECL provisions, which includes post model adjustments, management overlays and the impact of multiple economic scenarios, were 23 per cent (31 December 2020: 24 per cent) of total credit impairment provisions at 31 December 2021. 24 per cent of the modelled ECL provisions at 31 December 2021 related to judgemental management overlays compared with 21 per cent at 31 December 2020. Post model adjustments (PMAs) reduced significantly compared with 31 December 2020 as the volatility in macroeconomic forecasts subsided which removed the need for PMAs to correct for a model's overreaction to the macroeconomic forecast.

31 December 2021	Corporate, Commercial & Institutional Banking $ million	Consumer, Private & Business Banking $ million	Central & other items $ million	Total $ million
Modelled ECL provisions (base forecast)	365	539	103	1,007
Impact of multiple economic scenarios[1]	32	14	9	55
Total ECL provisions before management overlays	397	553	112	1,062
Of which: Post model and other model adjustments	24	(8)	8	24
Management overlays[2]				-
– COVID-19	102	147	-	249
– China Commercial Real Estate	95	-	-	95
Total modelled provisions	594	700	112	1,406
Of which: Stage 1	163	378	68	609
Stage 2	425	187	44	656
Stage 3	6	135	-	141
Stage 3 non-modelled provisions	4,073	662	68	4,803
Total credit impairment provisions	**4,667**	**1,362**	**180**	**6,209**
31 December 2020				
Modelled ECL provisions (base forecast)	564	724	92	1,380
Impact of multiple economic scenarios	(8)		-	(8)
Total ECL provisions before management overlays	556	724	92	1,372
Of which: Post model and other model adjustments	(56)	(36)	(66)	(158)
Management overlay – COVID-19[2]	197	162	-	359
Total modelled provisions	753	886	92	1,731
Of which: Stage 1	154	445	65	664
Stage 2	599	259	27	885
Stage 3	-	182	-	182
Stage 3 non-modelled provisions	4,803	548	63	5,414
Total credit impairment provisions	5,556	1,434	155	7,145

1 Includes a PMA of $51 million

2 $115 million (2020: $78 million) is in stage 1, $208 million (2020: $275 million) in stage 2 and $21 million (2020: $6 million) in stage 3

Post model and other model adjustments

Where a model's performance breaches the monitoring thresholds or validation standards, an assessment is completed to determine whether an ECL 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 lockdown 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 31 December 2021, PMAs have been applied for 11 models out of the total of 172 models. In aggregate, the PMAs increase the Group's impairment provisions by $17 million (1 per cent of modelled provisions) compared with a $133 million decrease at 31 December 2020, and primarily relate to a non-linearity PMA (see page 239 for the impact of multiple economic scenarios) and unsecured Consumer lending models. The PMAs range between a $51 million increase (the non-linearity PMA) to a $16 million decrease in ECL (for Malaysia Business Clients). Corporate, Commercial and Institutional Banking PMAs reduced significantly compared to 31 December 2020 as new models were implemented during the period.

As at 31 December 2021, judgemental model adjustments have been applied to certain Consumer, Private and Business Banking models to hold back releases of ECL identified from model monitoring breaches because moratoria and other support schemes have suppressed observed defaults. These will be released when the observed defaults normalise.

As set out on page 239, a separate management overlay that covers risk not captured by the models has been applied after taking into account these PMAs.

	31.12.21 $ 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	24	(73)
Consumer, Private & Business Banking	(15)	1
Central & other items	8	–
	17	(72)
Total PMAs	17	(133)
Judgemental model adjustments		
Consumer, Private & Business Banking	7	(25)
Total model adjustments	24	(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 reviews projections for some core country variables against consensus when forming their view of the outlook. For the period beyond five years, management utilises the in-house research view and third-party model outputs, which allow for a reversion to long-term growth rates or norms. All projections are updated on a quarterly basis.

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

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

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

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

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

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

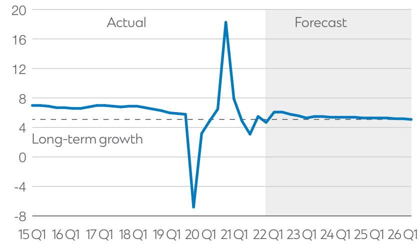
The table on page 237 to 238 provides a summary of the Group's Base Forecast for key footprint markets, alongside the corresponding range seen across the multiple scenarios. The peak/trough amounts in the table show the highest and lowest points within the Base Forecast, and the GDP graphs illustrate the shape of the Base Forecast in relation to prior periods' actuals and the long-term growth rates.

China's growth is expected to ease from over 8 per cent in 2021 to 5.6 per cent in 2022. After excluding the COVID-19 related weakness of 2020 when the economy grew by 2.3 per cent this will be the slowest pace of expansion since 1990 when GDP grew by 3.9 per cent. Headwinds to China's outlook include the spread of the new variant of COVID-19 and concerns over the real estate sector. Hong Kong is also expected to show a sharp slowdown in 2022 from a growth of almost 7 per cent in 2021. While hopes are rising that quarantine-free travel between Hong Kong and the mainland may resume, full reopening of the border is unlikely until H2 2022 at the earliest as the authorities are expected to take a cautious approach. The resumption of international travel to other destinations could take even longer. In Singapore, growth is expected to hold up better in 2022 compared with Hong Kong. Earlier progress with border reopening and a high domestic vaccination rate should support economic activity. Korea and India's growth are also expected to be relatively more robust compared with 2021. Easing COVID-19 restrictions and a recovery in employment will provide support to Korea. In India, a rapid pick-up in vaccine distribution and expansionary policies are supporting the recovery.

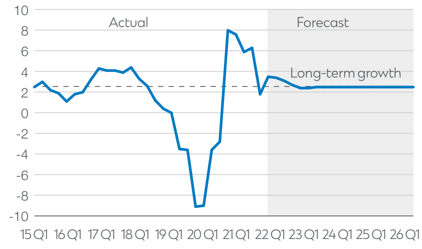
Momentum from the strong rebound in 2021 is also expected to ease in western economies. The United States is facing increasing headwinds in 2022. This follows robust growth last year as the rapid pace of vaccinations in the first half of 2021 allowed activity to normalise. US GDP growth is expected to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

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

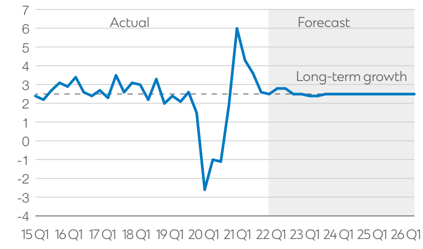
China GDP YoY%



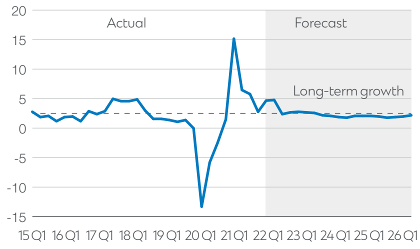
Hong Kong GDP YoY%



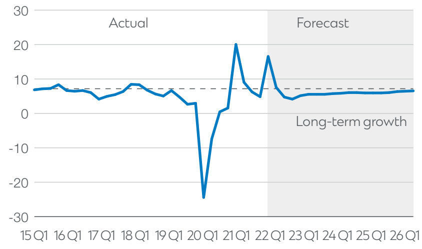
Korea GDP YoY%



Singapore GDP YoY%



India GDP YoY%



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

	2021							
	China				Hong Kong			
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY %)	GDP growth (YoY %)	Unemployment %	3-month interest rates %	House prices (YoY %)
Base forecast								
2022	5.6	3.4	2.3	2.4	3.0	4.2	0.3	4.2
2023	5.5	3.4	2.6	4.1	2.5	3.8	1.1	3.0
2024	5.4	3.4	2.8	4.4	2.5	3.7	1.7	2.8
2025	5.3	3.4	3.0	4.4	2.5	3.7	2.1	2.8
2026	5.2	3.4	3.1	4.4	2.5	3.7	2.3	2.7
5-year average	5.4	3.4	2.8	4.0	2.6	3.8	1.5	3.1
Peak	6.1	3.4	3.1	4.5	3.5	4.4	2.3	5.3
Trough	4.7	3.4	2.1	1.8	1.8	3.7	0.3	2.7
Monte Carlo								
Low[2]	2.6	3.3	1.3	(2.8)	(1.7)	2.4	(0.3)	(12.4)
High[3]	8.3	3.5	4.6	11.1	6.9	5.8	5.0	22.8

	2021							
	Singapore				Korea			
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY %)
Base forecast[1]								
2022	3.6	3.3	0.5	3.6	2.7	3.7	1.2	5.8
2023	2.7	3.1	1.0	3.3	2.5	3.4	1.3	0.0
2024	2.0	3.0	1.5	3.4	2.5	3.3	1.6	2.2
2025	2.0	3.0	1.9	3.6	2.5	3.2	1.9	2.8
2026	2.0	3.1	2.1	3.8	2.5	3.1	2.1	2.8
5-year average	2.5	3.1	1.4	3.6	2.5	3.3	1.6	2.7
Peak	4.8	3.4	2.2	4.2	2.8	3.7	2.2	10.9
Trough	1.8	3.0	0.5	3.3	2.4	3.1	1.2	(0.3)
Monte Carlo								
Low[2]	(4.0)	2.1	0.1	(4.1)	(3.1)	2.7	0.5	(5.2)
High[3]	9.4	4.5	4.2	15.4	7.1	4.5	4.3	9.5

	2021				
	India[4]				
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)	Brent Crude $ pb
Base forecast					
2022	**8.0**	**N/A[5]**	**4.6**	**6.9**	**66.6**
2023	**5.5**	**N/A[5]**	**5.2**	**7.2**	**60.0**
2024	**6.0**	**N/A[5]**	**5.7**	**7.2**	**63.0**
2025	**6.0**	**N/A[5]**	**6.1**	**7.2**	**65.0**
2026	**6.5**	**N/A[5]**	**6.2**	**7.1**	**64.0**
5-year average	**6.4**	**N/A[5]**	**5.4**	**7.1**	**63.7**
Peak	**16.6**	**N/A[5]**	**6.2**	**7.2**	**73.5**
Trough	**4.2**	**N/A[5]**	**4.0**	**5.8**	**60.0**
Monte Carlo					
Low[2]	**2.0**	**N/A[5]**	**3.2**	**(1.9)**	**8.9**
High[3]	**10.5**	**N/A[5]**	**8.8**	**24.9**	**211.4**

	2020							
	China				Hong Kong			
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)
5-year average	6.0	3.4	2.3	5.8	2.8	3.9	0.9	3.7
Peak	19.4	3.7	2.4	6.2	5.5	6.3	1.3	7.5
Trough	3.2	3.4	2.2	4.7	2.5	3.1	0.7	(4.3)
Monte Carlo								
Low[2]	1.9	3.3	0.9	1.2	(1.9)	2.3	(0.3)	(12.8)
High[3]	20.4	3.7	4.5	8.7	7.3	7.2	3.2	23.0

	2020							
	Singapore				Korea			
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)
5-year average	2.8	3.5	0.7	4.0	2.8	3.3	1.2	2.3
Peak	13.7	4.3	1.2	4.3	5.3	3.7	2.3	3.2
Trough	(2.3)	3.1	0.5	1.5	1.4	3.0	0.5	0.4
Monte Carlo								
Low[2]	(5.4)	2.0	0.0	(4.4)	(1.4)	2.6	(0.1)	(2.3)
High[3]	17.5	5.5	2.2	16.9	7.9	4.5	3.5	7.6

	2020							
	Singapore				Korea			
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)
5-year average	2.8	3.5	0.7	4.0	2.8	3.3	1.2	2.3
Peak	13.7	4.3	1.2	4.3	5.3	3.7	2.3	3.2
Trough	(2.3)	3.1	0.5	1.5	1.4	3.0	0.5	0.4
Monte Carlo								
Low[2]	(5.4)	2.0	0.0	(4.4)	(1.4)	2.6	(0.1)	(2.3)
High[3]	17.5	5.5	2.2	16.9	7.9	4.5	3.5	7.6

	2020				
	India				
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)	Brent crude $ pb
5-year average	6.4	N/A[5]	4.3	6.7	54.0
Peak	32.6	N/A[5]	5.4	7.2	61.0
Trough	0.0	N/A[5]	3.3	4.8	39.0
Monte Carlo					
Low[2]	(2.1)	N/A[5]	2.0	(4.1)	22.0
High[3]	34.9	N/A[5]	6.9	21.8	116.0

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

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

5 N/A – Not available

Impact of multiple economic scenarios

The final probability-weighted ECL reported by the Group is a simple average of the ECL for each of the 50 scenarios simulated using a Monte Carlo model. The Monte Carlo approach has the advantage that it generates many plausible alternative scenarios that cover our global footprint; however, a recognised challenge with the Monte Carlo approach is that the range of scenarios it forecasts can be narrow.

The Monte Carlo model is being redeveloped to widen the range of the scenarios; however, prior to this new model being implemented a $51 million non-linearity PMA has been applied. The total amount of non-linearity has been estimated by assigning probability weights of 70 per cent, 25 per cent and 5 per cent respectively to the ECL from the Base Forecast, Supply Chain Disruption and New COVID-19 Variant scenarios which are presented on pages 240 to 241 and comparing this to the unweighted base forecast ECL. The non-linearity PMA represents the difference between the probability weighted ECL calculated using the three scenarios and the probability weighted ECL calculated by the Monte Carlo model.

The impact of multiple economic scenarios (which includes the non-linearity PMA) on stage 1, stage 2 and stage 3 modelled ECL is set out in the table below together with the management overlay.

	Base forecast $million	Multiple economic scenarios $million	Management overlay $million	Total $million
Total expected credit loss at 31 December 2021[1]	**1,007**	**55**	**344**	**1,406**
Total expected credit loss at 31 December 2020[1]	1,380	(8)	359	1,731

1 Total modelled ECL comprises stage 1 and stage 2 balances of $1,265 million (31 December 2020: $1,549 million) and $141 million (31 December 2020: $182 million) of modelled ECL on stage 3 loans

The average expected credit loss under multiple scenarios is 5 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 Consumer, Private and Business Banking mortgage portfolios.

Management overlay

As at 31 December 2021, the Group held:

- A $249 million (31 December 2020: $359 million) management overlay relating to uncertainties as a result of the COVID-19 pandemic, $102 million (31 December 2020: $197 million) of which relates to Corporate, Commercial and Institutional Banking and $147 million (31 December 2020: $162 million) to Consumer, Private and Business Banking. $84 million (31 December 2020: $78 million) of the overlay is held in stage 1, $144 million (31 December 2020: $275 million) in stage 2 and $21 million (31 December 2020: $6 million) in stage 3.
- A $95 million (31 December 2020: $nil) management overlay relating to uncertainties around exposures to China Commercial Real Estate, all of which relates to Corporate, Commercial and Institutional Banking. $31 million is held in stage 1 and $64 million in stage 2.

The overlays have been determined after taking account of the PMAs reported on page 235 and they are re-assessed quarterly. They are reviewed and approved by the IFRS 9 Impairment Committee.

COVID-19 overlay

Corporate, Commercial and Institutional Banking

Although the amount of loans placed on non-purely precautionary early alert has decreased compared with 31 December 2020, balances remain higher than before the pandemic. The impact of the rapid deterioration in the economic environment in 2020 has not yet been fully observed in customers' financial performance, in part due to ongoing government support measures across the Group's markets. Accordingly, we have not yet seen a significant increase in the level of stage 3 loans relating to COVID-19 up to 31 December 2021. To take account of the heightened Credit Risk and the continuing uncertainties in the pace and timing of economic recovery, a judgemental overlay has been taken by estimating the impact of further deterioration to the non-purely precautionary early alert portfolio. The overlay is held in stage 2. The basis of determining the overlay remained unchanged during 2020 and 2021, although the assumed level of further deterioration was reduced in 2021 in line with our experience. The overlay has steadily reduced from $197 million at 31 December 2020 to $102 million at 31 December 2021 as the level of non-purely precautionary early alerts has reduced.

Consumer, Private and Business Banking

A number of components contribute to the judgemental overlay for Consumer, Private and Business Banking. Within Business Banking, the Group has evaluated those sectors that have been adversely impacted by COVID-19, both through internal credit processes as well as through a 'Voice of Customer' survey to understand how customers have been affected. The Group has also considered the extent to which lockdowns have impacted collections and recoveries, and the extent to which payment reliefs may mask underlying credit risks, particularly in those markets where compulsory extended moratoria schemes were in place. For those markets, the Group has estimated the impact of increased delinquencies and flows to defaults when the moratoria are lifted as well as the extent to which customers in stage 1 may have experienced a significant increase in credit risk if not for the moratoria. The Group assessment also considered employee banking relationships with high-impact sectors and the impact on Mortgages in Africa and the Middle East which generally have high LTVs. $84 million of the overlay is held in stage 1, $42 million in stage 2 and $21 million in stage 3. The basis of determining the overlay remained unchanged during 2020 and 2021. The overlay has reduced from $162 million at 31 December 2020 to $147 million at 31 December 2021. While general moratoria schemes have ended in a number of markets and increased delinquency flows were captured by the ECL models, moratoria schemes were further extended in certain Asian and Africa and Middle East markets.

China Commercial Real Estate overlay

Chinese property developers are experiencing liquidity issues, triggered by government policy changes aimed at deleveraging the property sector and ensuring property developers have the financial ability to complete residential properties under construction. The government's 'three red lines' matrix was introduced in August 2020 to tighten the funding conditions for property developers by limiting the growth rate in external debt. With additional controls on sales of properties to end buyers (e.g. mortgage lending control, pricing control, eligibility control) and on restricting developers' ability to access cash from 'escrow accounts' with cash paid by retail residential buyers, the cashflow of developers has been significantly squeezed. Also, with capital markets reacting negatively to the tightening policies, we have seen greater volatility in bond pricing and reduced access to capital markets liquidity for developers. As such, some developers have faced/are facing difficulties in servicing and repaying financing obligations.

The Group's banking book net exposure to China Commercial Real Estate was $4.0 billion at 31 December 2021 (31 December 2020: $3.5 billion). Client level analysis continues to be done, with the high-risk clients being placed on purely precautionary or non-purely precautionary early alert. Given the evolving nature of the risks in the China Commercial Real Estate sector, a management overlay of $95 million has been taken by estimating the impact of further deterioration to those clients placed on early alert.

Stage 3 assets

Credit-impaired assets managed by Group Special Assets Management incorporate forward-looking economic assumptions in respect of the recovery outcomes identified, and are assigned individual probability weightings using management judgment. 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 the 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 assessments.

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

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

	Baseline		Supply chain disruption		New COVID-19 variant	
	Five year average	Peak/Trough	Five year average	Peak/Trough	Five year average	Peak/Trough
China GDP	5.4	6.1/4.7	5.0	5.5/3.6	5.2	13.4/(5.2)
China unemployment	3.4	3.4/3.4	3.5	4.0/3.4	4.1	5.9/3.4
China property prices	4.0	4.5/1.8	3.4	4.5/(1.5)	3.8	6.6/(1.6)
Hong Kong GDP	2.6	3.5/1.8	2.0	2.5/0.1	2.3	11.6/(9.1)
Hong Kong unemployment	3.8	4.4/3.7	4.0	4.6/3.7	4.7	6.8/3.8
Hong Kong property prices	3.1	5.3/2.7	1.9	3.8/(2.0)	3.5	25.2/(21.3)
US GDP	2.3	4.7/1.7	1.6	4.0/(0.4)	2.0	13.1/(11.6)
Singapore GDP	2.5	4.8/1.8	1.9	3.3/(0.2)	2.2	11.1/(8.9)
India GDP	6.4	16.6/4.2	5.4	15.0/1.4	6.0	19.3/(12.4)
Crude oil	63.7	73.5/60.0	66.3	76.2/62.0	49.4	57.0/32.7

	Base (GDP, YoY%)					Supply chain disruption (GDP, YoY%)					Difference from Base				
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
China	5.6	5.5	5.4	5.3	5.2	4.3	4.8	5.4	5.3	5.2	(1.4)	(0.8)	0.0	0.0	0.0
Hong Kong	3.0	2.5	2.5	2.5	2.5	1.1	1.4	2.5	2.5	2.5	(1.9)	(1.1)	0.0	0.0	0.0
US	3.7	2.3	1.8	1.8	1.8	1.6	1.0	1.8	1.8	1.8	(2.1)	(1.3)	0.0	0.0	0.0
Singapore	3.6	2.7	2.0	2.0	2.0	2.0	1.7	2.0	2.0	2.0	(1.7)	(1.0)	0.0	0.0	0.0
India[1]	8.0	5.5	6.0	6.0	6.5	5.6	4.3	5.4	5.6	6.5	(2.4)	(1.2)	(0.6)	(0.4)	0.0

	Base (GDP, YoY%)					New COVID-19 variant (GDP, YoY%)					Difference from Base				
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
China	5.6	5.5	5.4	5.3	5.2	(3.5)	8.9	9.5	5.7	5.2	(9.2)	3.3	4.1	0.3	0.0
Hong Kong	3.0	2.5	2.5	2.5	2.5	(7.2)	6.2	7.1	2.9	2.5	(10.2)	3.7	4.6	0.4	0.0
US	3.7	2.3	1.8	1.8	1.8	(8.4)	6.7	7.3	2.3	1.8	(12.1)	4.4	5.5	0.5	0.0
Singapore	3.6	2.7	2.0	2.0	2.0	(6.0)	6.2	6.3	2.4	2.0	(9.7)	3.5	4.3	0.3	0.0
India[1]	8.0	5.5	6.0	6.0	6.5	(6.5)	15.8	10.3	6.2	6.5	(14.5)	10.3	4.3	0.2	0.0

1 With the exception of India each year is defined as calendar years, starting in Q1 and ending in Q4. For India the variables are presented for the fiscal year with each year starting in Q2 and ending in Q1 of the next year

The total reported stage 1 and 2 ECL provisions (including both on and off-balance sheet instruments) would be approximately $110 million higher under the supply chain disruption scenario and $545 million higher under the new Covid-19 variant scenario than the baseline ECL provisions (which excluded the impact of multiple economic scenarios and management overlays which may already capture some of the risks in these scenarios). The proportion of stage 2 assets would increase from 4.2 per cent to 4.6 per cent and 7.7 per cent respectively under the supply chain disruption and New Covid-19 Variant scenarios. This includes the impact of exposures transferring to stage 2 from stage 1 but does not consider an increase in stage 3 defaults.

Under both scenarios the majority of the increase was in Corporate, Commercial and Institutional Banking with the main corporate portfolios in the United Kingdom, Hong Kong and the United States being impacted. Under both scenarios around 26 per cent of the increase was in Consumer, Private and Business Banking portfolios with most of the increases coming from the big unsecured retail portfolios (the Korea and Hong Kong Personal Loan portfolios were impacted under the supply chain disruption scenario, whereas the Malaysia and Singapore Credit Cards portfolios were impacted under the new Covid-19 variant scenario).

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

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

Modelled provisions

	Base forecast ECL $m	Supply chain disruption ECL $m	New COVID-19 variant ECL $m
Corporate, Commercial & Institutional Banking	359	437	749
Consumer, Private & Business Banking	425	455	570
Central & other items	103	105	112
Total stage 1 and 2 before overlays and multiple scenarios	887	997	1,432
Stage 1 and 2 management overlay	323		
Impact of multiple economic scenarios	55		
Total reported stage 1 and 2 ECL	1,265		
Stage 3 ECL[1]	4,944		
Total ECL	6,209		

1 Includes $21 million management overlay

Proportion of assets in stage 2[1]

	Base forecast scenario %	Supply chain disruption scenario %	New COVID-19 variant scenario %
Corporate, Consumer & Institutional Banking	6.9	7.9	14.2
Consumer, Private & Business Banking	1.5	1.6	2.3
Central & other items	2.2	2.2	2.3
Total	4.2	4.6	7.7

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

Risk review and Capital review

Significant increase in credit risk (SICR)

Quantitative criteria

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

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

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

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

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

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

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

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

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

Qualitative criteria

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

Backstop

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

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

Corporate, Commercial and Institutional Banking clients

Quantitative criteria

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

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

Qualitative criteria

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

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

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

Consumer and Business Banking clients

Quantitative criteria

Material portfolios (defined as a combination of country and product, for example Hong Kong mortgages, Taiwan credit cards) for which a statistical model has been built, are assessed based on both the absolute and relative movement in the PD from origination to the reporting date as described previously in page 233. For these portfolios, the original lifetime PD term structure is determined based on the original Application Score or Risk Segment of the client.

Qualitative criteria

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

Private Banking clients

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

Qualitative criteria

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

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

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

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

Debt securities

Quantitative criteria

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

Qualitative criteria

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

Assessment of credit-impaired financial assets

Consumer and Business Banking clients

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

Corporate, Commercial and Institutional Banking, and Private Banking clients

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

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

Write-offs

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

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

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

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

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

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

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

The IFRS 9 Impairment Committee:

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

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

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

In addition, Risk Event Overlays account for events that are sudden and therefore not captured in the Base Case Forecast or the resulting ECL calculated by the models. All Risk Event Overlays must be approved by the IIC having considered the nature of the event, why the risk is not captured in the model, and the basis on which the quantum of the overlay has been calculated. Risk Event Overlays are subject to quarterly review and re-approval by the IIC and will be released when the risks are no longer relevant.

Traded Risk

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

Market Risk (audited)

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

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

A summary of our current policies and practices regarding Market Risk management is provided in the Principal Risks section (page 267).

The primary categories of Market Risk for the Group are:

- Interest Rate Risk: arising from changes in yield curves and implied volatilities on interest rate options
- Foreign Exchange Rate Risk: arising from changes in currency exchange rates and implied volatilities on foreign exchange options
- Commodity Risk: arising from changes in commodity prices and implied volatilities on commodity options; covering energy, precious metals, base metals and agriculture as well as commodity baskets
- Credit Spread Risk: arising from changes in the price of debt instruments and credit-linked derivatives, driven by factors other than the level of risk-free interest rates
- Equity Risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options

Market risk changes (audited)

Value-at Risk (VaR) allows the Group to manage market risk across the trading book and most of the fair valued non-trading books[1]. The scope of instruments included in the VaR was changed in 2021 to exclude instruments held at amortised cost. The 2020 VaR numbers presented reflect the revised scope.

The average level of total trading and non-trading VaR in 2021 was $54.8 million, 43.9 per cent lower than in 2020 ($97.6 million). The actual level of total trading and non-trading VaR as at the year end of 2021 was $43.4 million, 65.3 per cent lower than in 2020 ($125.2 million). The decrease in total average VaR was driven by the extreme market movements from 2020 dropping out of the one-year VaR timeseries. However, during second half of 2021 volatility started to increase driven by the impact of new COVID variants.

For the trading book, the average level of VaR in 2021 was $17.2 million, 1.2 per cent higher than in 2020 ($17.0 million). Trading activities have remained relatively unchanged and client-driven.

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

	2021				2020			
Trading and non-trading[1]	**Average $million**	**High[2] $million**	**Low[2] $million**	**Year End $million**	Average $million	High[2] $million	Low[2] $million	Year End $million
Interest Rate Risk[6]	**31.3**	**68.3**	**16.4**	**26.0**	38.0	46.9	25.1	41.1
Credit Spread Risk[6]	**34.0**	**97.6**	**14.8**	**21.5**	69.2	103.1	20.2	81.0
Foreign Exchange Risk	**7.3**	**19.0**	**4.2**	**7.0**	6.3	15.1	3.0	15.1
Commodity Risk	**4.5**	**10.4**	**2.3**	**3.6**	2.5	5.5	0.7	4.9
Equity Risk	**1.3**	**1.7**	**1.0**	**1.4**	2.6	5.4	1.5	1.5
Total[3]	**54.8**	**140.7**	**30.7**	**43.4**	97.6	135.0	28.9	125.2

	2021				2020			
Trading[4]	**Average $million**	**High[2] $million**	**Low[2] $million**	**Year End $million**	Average $million	High[2] $million	Low[2] $million	Year End $million
Interest Rate Risk[6]	**7.6**	**10.2**	**5.2**	**7.2**	8.4	12.5	5.0	9.1
Credit Spread Risk[6]	**8.6**	**19.2**	**4.2**	**6.2**	13.0	19.3	4.8	16.3
Foreign Exchange Risk	**7.3**	**19.0**	**4.2**	**7.0**	6.3	15.1	3.0	15.1
Commodity Risk	**4.5**	**10.4**	**2.3**	**3.6**	2.5	5.5	0.7	4.9
Equity Risk	**–**	**–**	**–**	**–**	–	–	–	–
Total[3]	**17.2**	**28.4**	**12.3**	**15.3**	17.0	26.9	8.3	24.7

Non-trading[1]	2021 Average $million	2021 High[2] $million	2021 Low[2] $million	2021 Year End $million	2020 Average $million	2020 High[2] $million	2020 Low[2] $million	2020 Year End $million
Interest Rate Risk[6]	32.4	68.2	18.2	24.3	34.7	44.5	21.6	43.0
Credit Spread Risk[6]	29.2	80.0	14.4	20.2	57.1	81.9	18.1	66.5
Equity Risk[5]	1.3	1.7	1.0	1.4	2.6	5.4	1.4	1.5
Total[3]	47.1	106.3	25.3	38.3	69.4	94.8	27.5	85.9

1 The non-trading book VaR does not include syndicated loans. 2020 non-trading book VaR is restated to reflect the revised scope

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

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

4 Trading book for Market Risk is defined in accordance with the UK onshored Capital Requirements Regulation Part 3 Title I Chapter 3, which restricts the positions permitted in the trading book

5 Non-trading Equity Risk VaR includes only listed equities

6 Comparative information for 2020 has been represented to reflect the split between Interest Rate Risk and Credit Spread Risk

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

	2021 Average $million	2021 High[2] $million	2021 Low[2] $million	2021 Year End $million	2020 Average $million	2020 High[2] $million	2020 Low[2] $million	2020 Year End $million
Trading and non-trading[1]	54.8	140.7	30.7	43.4	97.6	135.0	28.9	125.2
Trading[4]								
Rates	6.9	9.3	4.8	7.1	7.6	11.1	4.5	8.5
Foreign Exchange	7.3	19.0	4.2	7.0	6.3	15.1	3.0	15.1
Credit Trading & Capital Markets	6.9	18.7	3.6	4.8	7.8	14.6	3.3	8.4
Commodities	4.7	10.4	2.5	3.8	2.5	5.5	0.7	4.9
Equities	–	–	–	–	–	–	–	–
XVA	5.2	11.9	2.5	2.5	9.0	13.7	2.7	11.2
Total[3]	17.2	28.4	12.3	15.3	17.0	26.9	8.3	24.7
Non-trading[1]								
Treasury Markets	40.5	83.1	22.7	36.4	57.9	74.7	24.7	71.8
Treasury Capital Management	9.2	22.7	4.9	6.5	10.2	14.9	4.6	14.4
Global Credit	5.2	11.7	2.3	2.5	4.9	7.5	2.7	5.0
Listed Private Equity	1.3	1.7	1.0	1.4	2.6	5.4	1.4	1.5
Total[3]	47.1	106.3	25.3	38.3	69.4	94.8	27.5	85.9

1 The non-trading book VaR does not include syndicated loans. 2020 non-trading book VaR is restated to reflect the revised scope

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

3 The Total VaR is not equal to the sum of the component risks due to offsets between them

4 Trading book for Market Risk is defined in accordance with the UK onshored Capital Requirements Regulation Part 3 Title I Chapter 3, which restricts the positions permitted in the trading book

Risks not in VaR

In 2021, the main market risks not reflected in VaR were:

- Potential depeg risk from currencies currently pegged or managed, as the historical one-year VaR observation period does not reflect the possibility of a change in the currency regime such as sudden depegging
- Basis risks for which the historical market price data is limited and is therefore proxied, giving rise to potential proxy basis risk that is not captured in VaR
- Deal contingent risk where a client is granted the right to cancel a hedging trade contingent on conditions not being met within a time window
- Volatility skew risk due to movements in options volatilities at different strikes while VaR reflects only movements in at-the-money volatilities

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 31 December 2021.

Backtesting

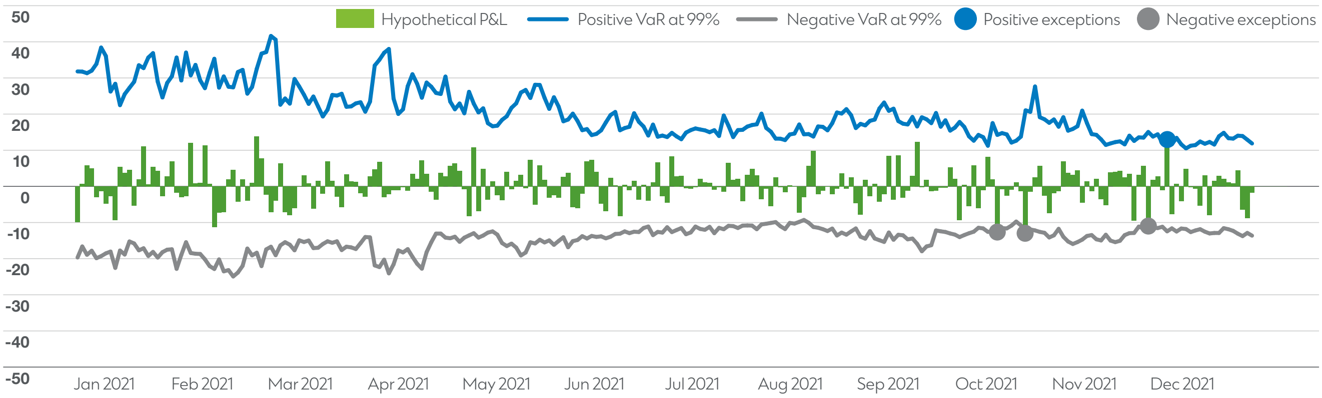
In 2021, there were three regulatory backtesting negative exceptions at Group level (in 2020, there were three regulatory backtesting negative exceptions at Group level). Group exceptions occurred on:

- 18 October: When markets fell and yields rose following hawkish central bank comments and higher than expected core inflation results in New Zealand
- 26 October: When Nigerian FX Non Deliverable Forward fixings dropped sharply, raising implied Non Deliverable Forward yields; oil prices and options implied volatilities also fell
- 1 December: When oil and financial markets fell with concerns about the efficacy of COVID-19 vaccines against the Omicron variant

In total, there have been three Group exceptions 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).

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

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)



Trading loss days

	2021	2020
Number of loss days reported for Financial Markets trading book total product income[1]	**15**	15

1 Reflects total product income for Financial Markets:

- Including credit valuation adjustment (CVA) and funding valuation adjustment (FVA)
- Excluding Treasury Markets business (non-trading) and periodic valuation changes for Capital Markets, expected loss provisions and overnight indexed swap (OIS) discounting and accounting adjustments such as debit valuation adjustments

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

The average level of total trading daily income in 2021 was $9.8 million, 8.4 per cent lower than in 2020 ($10.7 million), due to lower trading income compared to prior year which had witnessed unprecedented levels of market volatility and hence increased trading activity and wider spreads.

Trading[2]	2021 $million	2020 $million
Interest Rate Risk	**3.3**	3.6
Credit Spread Risk	**0.9**	1.1
Foreign Exchange Risk	**4.7**	5.1
Commodity Risk	**0.9**	0.9
Equity Risk	**–**	–
Total	**9.8**	10.7

Non-trading[2]	$million	$million
Interest Rate Risk	**0.4**	1.2
Credit Spread Risk	**0.2**	0.2
Equity Risk	**–**	–
Total	**0.6**	1.4

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

2 2020 figures have been restated to exclude income from non fair value positions

Structural foreign exchange exposures

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

	2021 $million	2020 $million
Hong Kong dollar	**4,757**	8,739
Indian rupee	**4,323**	4,222
Renminbi	**4,186**	4,071
Singapore dollar	**2,228**	2,543
Korean won	**1,756**	2,856
Taiwanese dollar	**1,188**	1,556
UAE dirham	**643**	1,863
Malaysian ringgit	**1,532**	1,575
Thai baht	**775**	892
Indonesian rupiah	**289**	332
Pakistani rupee	**429**	471
Other	**4,976**	4,422
	27,082	33,542

As at 31 December 2021, the Group had taken net investment hedges using derivative financial investments to partly cover its exposure to the Korean won of $2,856 million (2020: $1,984 million), Taiwanese dollar of $1,149 million (2020: $834 million), Renminbi of $1,642 million (2020: $1,527 million), Indian rupee of $656 million (2020: $652 million), Hong Kong dollar of $4,975 million (2020: Nil), UAE dirham of $1,198 million (2020: Nil) and Singapore dollar of $729 million (2020: Nil). An analysis has been performed on these exposures to assess the impact of a 1 per cent fall in the US dollar exchange rates, adjusted to incorporate the impacts of correlations of these currencies to the US dollar. The impact on the positions above would be an increase of $399 million (2020: $381 million). Changes in the valuation of these positions are taken to reserves. For analysis of the Group's capital position and requirements, refer to the Capital Review (page 288).

Counterparty Credit Risk

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

Derivative financial instruments Credit Risk mitigation

The Group enters into master netting agreements, which in the event of default result in a single amount owed by or to the counterparty through netting the sum of the positive and negative mark-to-market values of applicable derivative transactions. The value of exposure under master netting agreements is $39,502 million (2020: $47,097 million).

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

Liquidity and Funding Risk

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

The Group'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 throughout 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.

Primary sources of funding (audited)

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

Our assets are funded predominantly by customer deposits, supplemented with wholesale funding (which is diversified by type and maturity).

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

In 2021, the Group issued approximately $6.8 billion of senior debt securities, $1.2 billion of subordinated debt securities and $2.75 billion of Additional Tier 1 securities from its holding company (HoldCo) Standard Chartered PLC. (2020: $6.8 billion of term senior debt, $2.4 billion of subordinated securities and $1 billion of Additional Tier 1). In the next 12 months approximately $7.5 billion of the Group's senior debt, subordinated debt and Additional Tier 1 securities in total are either falling due for repayment contractually or callable by the Group.

Group's composition of liabilities 31 December 2021

Liquidity and Funding Risk metrics

We monitor key liquidity metrics regularly at country, regional, and aggregate Group level.

The following liquidity and funding Board Risk Appetite metrics define the maximum amount and type of risk that the Group is willing to assume in pursuit of its strategy: liquidity coverage ratio (LCR), liquidity stress survival horizons, external wholesale borrowing, and advances-to-deposits ratio. As of January 2022, the Net Stable Funding Ratio will also be included within Board Risk Appetite.

Liquidity coverage ratio (LCR)

The 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 positions under UK onshored Commission Delegated Regulation 2015/61 and has maintained its LCR above the prudential requirement. The Group maintained strong liquidity ratios despite the continued impacts of the COVID-19 stress. For further detail see the Liquidity section in the Standard Chartered PLC Pillar 3 Disclosures for FY 2021.

The LCR has remained unchanged at 143 per cent (2020: 143 per cent), despite revising our approach to calculating the LCR. We have re-assessed the methodology to more prudently reflect the portability of liquidity across the Group, whilst still considering currency convertibility and regulatory intra group limits. Portable liquidity is defined as unsecured liquidity, usually in the form of cash, that is freely transferable across Group entities during a period of stress, thereby enabling the Group to meet its financial obligations as they fall due.

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

	2021 $million	2020 $million
Liquidity buffer	**172,178**	175,948
Total net cash outflows	**120,788**	122,664
Liquidity coverage ratio	**143%**	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 – Captures the liquidity impact from an idiosyncratic event affecting Standard Chartered only i.e. the rest of the market is assumed to operate normally.

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

Combined – Assumes both Standard Chartered-specific and Market-wide events affecting the 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 31 December 2021, i.e. respective countries are able to survive for a period of time as defined under each scenario. The results take into account currency convertibility and portability constraints while calculating the liquidity surplus at Group level.

Standard Chartered Bank's credit ratings as at 31 December 2021 were A+ with negative outlook (Fitch), A+ with stable outlook (S&P) and A1 with stable outlook (Moody's). At 31 December 2021, the estimated contractual outflow of a three-notch long-term ratings downgrade is $1.7 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 Group's advances-to-deposits ratio has decreased by 2.0 per cent to 59.1 per cent, driven by an 8 per cent growth in customer deposits, most of which came from corporate customers.

	2021 $million	2020 $million
Total loans and advances to customers[1,2]	**285,922**	273,861
Total customer accounts[3]	**483,861**	448,236
Advances-to-deposits ratio	**59.1%**	61.1%

1 Excludes reverse repurchase agreement and other similar secured lending of $7,331 million and includes loans and advances to customers held at fair value through profit and loss of $9,953million

2 Loans and advances to customers for the purpose of the advances-to-deposits ratio excludes $15,168 million of approved balances held with central banks, confirmed as repayable at the point of stress (31 December 2020: $14,296 million)

3 Includes customer accounts held at fair value through profit or loss of $9,291 million (31 December 2020: $8,897 million)

Net stable funding ratio (NSFR)

The NSFR is a balance sheet metric which requires institutions to maintain a stable funding profile in relation to an assumed duration of their assets and off-balance sheet activities over a one-year horizon. It is the ratio between the amount of available stable funding (ASF) and the amount of required stable funding (RSF). ASF factors are applied to balance sheet liabilities and capital, based on their perceived stability and the amount of stable funding they provide. Likewise, RSF factors are applied to assets and off-balance sheet exposures according to the amount of stable funding they require. The NSFR became a regulatory requirement in January 2022 with a minimum of 100 per cent. 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 $ 172 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. Liquidity pool is held to offset stress outflows as defined in UK onshored Commission Delegated Regulation 2015/61. Following the Group's reassessment of the portability methodology, on a like-for-like approach December 2021 HQLA increased which was offset by a similar size decrease in HQLA.

	2021			
	Asia $ million	Africa & Middle East $ million	Europe & Americas $ million	Total $ million
Level 1 securities				
Cash and balances at central banks	**28,076**	**890**	**46,973**	**75,939**
Central banks, governments/public sector entities	**40,328**	**2,096**	**27,389**	**69,813**
Multilateral development banks and international organisations	**7,812**	**356**	**7,366**	**15,534**
Other	**–**	**–**	**478**	**478**
Total Level 1 securities	**76,216**	**3,342**	**82,206**	**161,764**
Level 2A securities	**3,447**	**186**	**5,047**	**8,680**
Level 2B securities	**114**	**–**	**1,620**	**1,734**
Total LCR eligible assets	**79,777**	**3,528**	**88,873**	**172,178**

	2020 (Restated)			
	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.

	2021									
		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 positioned at the central bank (ie pre-positioned plus encumbered)	Assets not positioned at the central bank				
	Assets $million	As a result of securitisations $million	Other $million	Total $million	$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	72,663	–	–	–	8,147	64,516	–	–	–	72,663
Derivative financial instruments	52,445	–	–	–	–	–	–	52,445	–	52,445
Loans and advances to banks[1]	66,957	–	89	89	–	34,834	9,931	19,806	2,297	66,868
Loans and advances to customers[1]	369,703	–	4,539	4,539	–	–	282,761	68,612	13,791	365,164
Investment securities[2]	198,723	–	13,940	13,940	96	142,965	35,637	–	6,085	184,783
Other assets	49,958	–	16,501	16,501	–	–	13,140	–	20,317	33,457
Current tax assets	766	–	–	–	–	–	–	–	766	766
Prepayments and accrued income	2,176	–	–	–	–	–	937	–	1,239	2,176
Interests in associates and joint ventures	2,147	–	–	–	–	–	–	–	2,147	2,147
Goodwill and intangible assets	5,471	–	–	–	–	–	–	–	5,471	5,471
Property, plant and equipment	5,616	–	–	–	–	–	448	–	5,168	5,616
Deferred tax assets	859	–	–	–	–	–	–	–	859	859
Assets classified as held for sale	334	–	–	–	–	–	–	–	334	334
Total	827,818	–	35,069	35,069	8,243	242,315	342,854	140,863	58,474	792,749

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

	2020									
		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 positioned at the central bank (ie pre-positioned plus encumbered)	Assets not positioned at the central bank				
	Assets $million	As a result of securitisations $million	Other $million	Total $million	$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 $117,408 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 $57,879 million (31 December 2020: $46,209 million) under repurchase agreements.

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

Contractual maturity of assets and liabilities

The following table presents assets and liabilities by maturity groupings based on the remaining period to the contractual maturity date as at the balance sheet date on a discounted basis. Contractual maturities do not necessarily reflect actual repayments or cashflows.

Within the tables below, cash and balances with central banks, interbank placements and investment securities that are fair value through other comprehensive income are used by the Group principally for liquidity management purposes.

As at the reporting date, assets remain predominantly short-dated, with 59 per cent maturing in under one year. Our less than three-month cumulative net funding position remained in surplus and the scale of the surplus increased from the previous year, largely due to an increase in customer accounts as the Group focused on improving the quality of its deposit base. In practice, these deposits are recognised as stable and have behavioural profiles that extend beyond their contractual maturities

	2021								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Cash and balances at central banks	64,516	–	–	–	–	–	–	8,147	72,663
Derivative financial instruments	11,695	10,489	7,332	3,583	2,731	4,738	6,493	5,384	52,445
Loans and advances to banks[1,2]	25,486	17,987	11,347	4,415	4,506	1,455	1,466	295	66,957
Loans and advances to customers[1,2]	92,181	68,361	26,276	13,255	14,992	21,391	36,299	96,948	369,703
Investment securities	11,813	13,590	12,070	13,266	13,407	26,424	53,189	54,964	198,723
Other assets	24,283	19,776	989	67	491	35	32	21,654	67,327
Total assets	229,974	130,203	58,014	34,586	36,127	54,043	97,479	187,392	827,818
Liabilities									
Deposits by banks[1,3]	34,858	1,134	1,244	408	477	116	206	4	38,447
Customer accounts[1,4]	430,071	52,051	27,436	11,738	12,023	4,857	2,152	2,127	542,455
Derivative financial instruments	11,715	11,573	7,254	4,061	2,788	5,042	7,117	3,849	53,399
Senior debt[5]	190	642	1,036	320	397	5,336	15,225	11,845	34,991
Other debt securities in issue[1]	2,233	12,968	7,786	3,118	3,281	782	1,411	320	31,899
Other liabilities	14,545	22,582	2,044	1,148	1,180	797	990	14,059	57,345
Subordinated liabilities and other borrowed funds	1,007	64	24	240	894	2,430	2,593	9,394	16,646
Total liabilities	494,619	101,014	46,824	21,033	21,040	19,360	29,694	41,598	775,182
Net liquidity gap	(264,645)	29,189	11,190	13,553	15,087	34,683	67,785	145,794	52,636

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 339 to 364)

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $88.4 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of $7.1 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of $58.6 billion

5 Senior debt maturity profiles are based upon contractual maturity, which may be later than call options over the debt held by the Group

	2020								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Cash and balances at central banks	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[5]	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 339 to 364)

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

5 Senior debt maturity profiles are based upon contractual maturity, which may be later than call options over the debt held by the Group

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 (audited)

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.

	2021								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Deposits by banks	34,866	1,140	1,246	409	481	117	208	3	38,470
Customer accounts	430,190	52,112	27,510	11,813	12,120	4,930	2,212	2,495	543,382
Derivative financial instruments[1]	52,783	9	22	12	106	76	212	179	53,399
Debt securities in issue	2,526	13,618	9,015	3,586	3,891	6,743	17,966	17,659	75,004
Subordinated liabilities and other borrowed funds	1,114	134	48	261	928	2,546	3,030	16,044	24,105
Other liabilities	17,759	22,460	1,952	1,133	1,170	797	990	9,955	56,216
Total liabilities	539,238	89,473	39,793	17,214	18,696	15,209	24,618	46,335	790,576

	2020								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Deposits by banks	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 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.

	2021						
Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:	USD bloc $million	HKD bloc $million	SGD bloc $million	KRW bloc $million	CNY bloc $million	Other currency bloc $million	Total $million
+ 50 basis points	200	150	70	50	50	140	660
- 50 basis points	(210)	(170)	(70)	(40)	(50)	(130)	(670)
+ 100 basis points	380	280	130	80	90	300	1,260

	2020						
Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:	USD bloc[1] $million	HKD bloc[1] $million	SGD bloc $million	KRW bloc $million	CNY bloc $million	Other currency bloc $million	Total[1] $million
+ 50 basis points	100	100	50	50	10	60	370
- 50 basis points	(180)	(70)	(50)	(60)	(20)	(70)	(450)
+ 100 basis points	200	90	90	100	30	110	620

1 Sensitivity for 2020 has been restated due to correction of interest rate basis for certain USD denominated interest rate swaps and HKD denominated mortgages

As at 31 December 2021, the Group estimates the one-year impact of an instantaneous, parallel increase across all yield curves of 50 basis points to increase projected NII by $660 million. The equivalent impact from a parallel decrease of 50 basis points would result in a reduction in projected NII of $670 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 $1,260 million.

The benefit from rising interest rates is primarily from reinvesting at higher yields and from assets re-pricing faster and to a greater extent than deposits. NII sensitivity in all scenarios has increased versus 31 December 2020 due to changes in modelling assumptions to reflect expected re-pricing activity on Retail and Transaction Banking current accounts and savings accounts in the current interest rate environment, and to recognise the interest rate sensitivity of banking book income when providing funding to the trading book. The inclusion of this item now aligns the measurement scope to that used for the calculation of the Group's net interest margin, and has increased the reported sensitivity to the 50 basis point parallel shocks by $170 million, and to a 100 basis point parallel up shock by $340 million, primarily in US dollars.

The asymmetry between the up and down 50 basis point shock is primarily due to the low level of interest rates, which may constrain the Group's ability to reprice assets and liabilities should rates fall by a further 50 basis points, as well as differing behavioural assumptions, which are scenario specific. The level of asymmetry has changed since 31 December 2020 due to an increase in the proportion of the Group's assets whose pricing is assumed to be floored under the 50 basis point parallel down shock, and which now largely offsets the assumed impact of flooring liability pricing under the same scenario, primarily in Greater China and North Asia. The decision to pass on changes in interest rates is highly subjective and depends on a range of factors including market environment and competitor behaviour.

Operational and Technology Risk

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

Operational Risk profile

In 2021, the Group has taken steps for further embedding of the enhanced framework to augment the management of operational risk with the aim of ensuring that risk is managed within Risk Appetite and we continue to deliver services to our clients.

The Group has continued to provide a stable level of service to clients during the period of COVID-19 and adapted swiftly to changes in operations brought by the pandemic. As a result of the changes in internal and external operating environment due to COVID-19, particular areas of focus are Fraud, Information & Cyber Security, Privacy, Conduct and Resilience.

Operational Risk events and losses

Operational losses are one indicator of the effectiveness and robustness of the non-financial risk control environment. As at 31 December 2021, recorded impact from operational losses for the year was higher than 2020, primarily driven by the regulatory penalty of $61.7 million imposed by the PRA on the back of liquidity misreporting between 2018 and 2019 due to execution delivery and process management issues.

The Group's profile of operational loss events in 2021 and 2020 is summarised in the table below. It shows the percentage distribution of gross operational losses by Basel business line.

Distribution of Operational Losses by Basel business line	% Loss 2021	% Loss 2020[1]
Agency Services	**0.0%**	1.2%
Asset Management	**0.0%**	–
Commercial Banking	**5.6%**	18.4%
Corporate Finance	**–**	–
Corporate Items	**43.2%**	23.8%
Payment and Settlements	**35.8%**	16.1%
Retail Banking	**10.1%**	29.9%
Retail Brokerage	**0.0%**	0.2%
Trading and Sales	**5.4%**	10.2%

1 Losses in 2020 have been restated to include incremental events recognised in 2021

The Group's profile of operational loss events in 2021 and 2020 is also summarised by Basel event type in the table below. It shows the percentage distribution of gross operational losses by Basel event type.

Distribution of Operational Losses by Basel event type	% Loss 2021	% Loss 2020[1]
Business disruption and system failures	**3.4%**	2.0%
Clients products and business practices	**1.1%**	5.8%
Damage to physical assets	**0.0%**	0.1%
Employment practices and workplace safety	**0.0%**	0.5%
Execution delivery and process management	**79.7%**	70.3%
External fraud	**9.0%**	20.7%
Internal fraud	**6.7%**	0.6%

1 Losses in 2020 have been restated to include incremental events recognised in 2021

Other principal risks

Losses arising from operational failures for other principal risks are reported as operational losses. Operational losses do not include Operational Risk-related credit impairments.

Enterprise Risk Management Framework

Effective risk management is essential in delivering consistent and sustainable performance for all our stakeholders and is a central part of the financial and operational management of the Group. The Group adds value to clients and the communities in which they operate by taking and managing appropriate levels of risk, which in turn generates returns for shareholders.

The Enterprise Risk Management Framework (ERMF) enables the Group to manage enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our Risk Appetite. The ERMF has been designed with the explicit goal of improving the Group's risk management, and since its launch in January 2018, it has been embedded across the Group and rolled out to its branches and subsidiaries[1].

In 2021, we completed a comprehensive review of the ERMF, and the following changes were approved by the Board:

- Cross-cutting risks have been repositioned as Integrated Risk Types (IRT) and are defined as "risks that are significant in nature and materialise primarily through the relevant Principal Risk Types". The ERMF sets out the roles and responsibilities and minimum governance requirements for management of IRTs.
- Given their integrated nature, Digital Asset Risk and Third-Party Risk, in addition to Climate Risk, have been categorised as Integrated Risk Types in the ERMF.
- The Capital and Liquidity Principal Risk Type has been renamed to Treasury Risk and the scope of the risk type has been expanded to cover Interest Rate Risk in the Banking Book (IRRBB).

The revised ERMF was approved in February 2022 and will become effective in March 2022.

Risk culture

The Group's risk culture provides guiding principles for the behaviours expected from our people when managing risk. The Board has approved a risk culture statement that encourages the following behaviours and outcomes:

- An enterprise-level ability to identify and assess current and future risks, openly discuss these and take prompt actions.
- The highest level of integrity by being transparent and proactive in disclosing and managing all types of risks.
- A constructive and collaborative approach in providing oversight and challenge, and taking decisions in a timely manner.
- Everyone to be accountable for their decisions and feel safe in using their judgement to make these considered decisions.

We acknowledge that banking inherently involves risk-taking and undesired outcomes will occur from time to time; however, we shall take the opportunity to learn from our experience and formalise what we can do to improve. We expect managers to demonstrate a high awareness of risk and control by self-identifying issues and managing them in a manner that will deliver lasting change.

Strategic risk management

The Group approaches strategic risk management as follows:

- By conducting an impact analysis on the risk profile from growth plans, strategic initiatives and business model vulnerabilities, with the aim of proactively identifying and managing new risks or existing risks that need to be reprioritised as part of the strategy review process.
- By confirming that growth plans and strategic initiatives can be delivered within the approved Risk Appetite and/or proposing additional Risk Appetite for Board consideration as part of the strategy review process.
- By validating the Corporate Plan against the approved or proposed Risk Appetite Statement to the Board. The Board approves the strategy review and the five-year Corporate Plan with a confirmation from the Group Chief Risk Officer that it is aligned with the ERMF and the Group Risk Appetite Statement where projections allow.
- Country Risk management approach and Country Risk reviews are used to ensure the country limits and exposures are reasonable and in line with Group strategy, country strategy, and the operating environment, considering the identified risks.

Roles and responsibilities

Senior Managers Regime[2]

Roles and responsibilities under the ERMF are aligned to the objectives of the Senior Managers Regime. The Group Chief Risk Officer is responsible for the overall development and maintenance of the Group's ERMF and for identifying material risk types to which the Group may be potentially exposed. The Group Chief Risk Officer delegates effective implementation of the Risk Type Frameworks (RTFs) to Risk Framework Owners who provide second line of defence oversight for the Principal Risk Types (PRTs). In addition, the Group Chief Risk Officer has been formally identified as the relevant senior manager responsible for the development of the Group's Digital Asset Risk Assessment Approach, as well as the senior manager responsible for Climate Risk management as it relates to financial and non-financial risks to the Group arising from climate change. This does not include elements of corporate social responsibility, the Group's contribution to climate change and the Sustainable Finance strategy supporting a low-carbon transition, which are the responsibility of other relevant senior managers.

1 The Group's Risk Management Framework and System of Internal Control applies only to wholly controlled subsidiaries of the Group, and not to Associates, Joint Ventures or Structured Entities of the Group.

2 Senior managers refer to individuals designated as senior management functions under the FCA and PRA Senior Managers Regime (SMR).

The Risk function

The Risk function is responsible for the sustainability of our business through good management of risk across the Group by providing oversight and challenge, thereby ensuring that business is conducted in line with regulatory expectations.

The Group Chief Risk Officer directly manages the Risk function, which is separate and independent from the origination, trading and sales functions of the businesses. The Risk function is responsible for:

- Maintaining the ERMF, ensuring that it remains relevant and appropriate to the Group's business activities, and is effectively communicated and implemented across the Group, and administering related governance and reporting processes.
- Upholding the overall integrity of the Group's risk and return decisions to ensure that risks are properly assessed, that these decisions are made transparently on the basis of proper assessments and that risks are controlled in accordance with the Group's standards and Risk Appetite.
- Overseeing and challenging the management of Principal Risk Types and Integrated Risk Types under the ERMF.

The independence of the Risk function ensures that the necessary balance in making risk and return decisions is not compromised by short-term pressures to generate revenues.

In addition, the Risk function is a centre of excellence that provides specialist capabilities of relevance to risk management processes in the broader organisation.

The Risk function supports the Group's commitment to be 'Here for good' by building a sustainable framework that places regulatory and compliance standards and a culture of appropriate conduct at the forefront of the Group's agenda, in a manner proportionate to the nature, scale and complexity of the Group's business.

Conduct, Financial Crime and Compliance (CFCC), under the Management Team leadership of the Group Head, CFCC, works alongside the Risk function within the framework of the ERMF to deliver a unified second line of defence.

Three lines of defence model

Roles and responsibilities for risk management are defined under a three lines of defence model. Each line of defence has a specific set of responsibilities for risk management and control as shown in the table below.

Lines of defence	Definition	Key responsibilities include
1st	The businesses and functions engaged in or supporting revenue-generating activities that own and manage the risks	• Propose the risks required to undertake revenue-generating activities • Identify, assess, monitor and escalate risks and issues to the second line and senior management[1] and promote a healthy risk culture and good conduct • Validate and self-assess compliance to RTFs and policies, confirm the quality of validation, and provide evidence-based affirmation to the second line • Manage risks within Risk Appetite, set and execute remediation plans and ensure laws and regulations are being complied with • Ensure systems meet risk data aggregation, risk reporting and data quality requirements set by the second line.
2nd	The control functions independent of the first line that provide oversight and challenge of risk management to provide confidence to the Group Chief Risk Officer, senior management and the Board	• Identify, monitor and escalate risks and issues to the Group Chief Risk Officer, senior management and the Board and promote a healthy risk culture and good conduct • Oversee and challenge first-line risk-taking activities and review first-line risk proposals • Propose Risk Appetite to the Board, monitor and report adherence to Risk Appetite and intervene to curtail business if it is not in line with existing or adjusted Risk Appetite, there is material non-compliance with policy requirements or when operational controls do not effectively manage risk • Set risk data aggregation, risk reporting and data quality requirements • Ensure that there are appropriate controls to comply with applicable laws and regulations, and escalate significant non-compliance matters to senior management and the appropriate committees.
3rd	The Internal Audit Function provides independent assurance on the effectiveness of controls that support first line's risk management of business activities, and the processes maintained by the second line	• Independently assess whether management has identified the key risks in the businesses and whether these are reported and governed in line with the established risk management processes • Independently assess the adequacy of the design of controls and their operating effectiveness.

1 Senior management in this table refers to individuals designated as senior management functions under the FCA and PRA Senior Managers Regime (SMR).

Risk Appetite and profile

We recognise the following constraints which determine the risks that we are willing to take in pursuit of our strategy and the development of a sustainable business:

- **Risk capacity** is the maximum level of risk the Group can assume, given its current capabilities and resources, before breaching constraints determined by capital and liquidity requirements and internal operational capability (including but not limited to technical infrastructure, risk management capabilities, expertise), or otherwise failing to meet the expectations of regulators and law enforcement agencies.
- **Risk Appetite** is defined by the Group and approved by the Board. It is the maximum amount and type of risk the Group is willing to assume in pursuit of its strategy. Risk Appetite cannot exceed risk capacity.

The Board has approved a Risk Appetite Statement, which is underpinned by a set of financial and operational control parameters known as Risk Appetite metrics and their associated thresholds. These directly constrain the aggregate risk exposures that can be taken across the Group.

The Group Risk Appetite is reviewed at least on an annual basis to ensure that it is fit for purpose and aligned with strategy, and focus is given to emerging or new risks. The Risk Appetite Statement is supplemented by an overarching statement outlining the Group's Risk Appetite principles.

Risk Appetite principles

The Group Risk Appetite is defined in accordance with risk management principles that inform our overall approach to risk management and our risk culture. We follow the highest ethical standards and ensure a fair outcome for our clients, as well as facilitating the effective operation of financial markets, while at the same time meeting expectations of regulators and law enforcement agencies. We set our Risk Appetite to enable us to grow sustainably and to avoid shocks to earnings or our general financial health, as well as manage our Reputational Risk in a way that does not materially undermine the confidence of our investors and all internal and external stakeholders.

Risk Appetite Statement

The Group will not compromise adherence to its Risk Appetite in order to pursue revenue growth or higher returns. The Group Risk Appetite is supplemented by risk control tools such as granular level limits, policies, standards and other operational control parameters that are used to keep the Group's risk profile within Risk Appetite. The Group's risk profile is its overall exposure to risk at a given point in time, covering all applicable risk types. Status against Risk Appetite is reported to the Board, Board Risk Committee and the Group Risk Committee, including the status of breaches and remediation plans where applicable. To keep the Group's risk profile within Risk Appetite (and therefore also risk capacity), we have cascaded critical Group Risk Appetite metrics across our Principal Risk Types to our footprint markets with significant business operations.

Country Risk Appetite is managed at a country or local level with Group and regional oversight. In addition to Risk Appetite Statements for the Principal Risk Types, the Group also has a Risk Appetite Statement for Climate Risk which is an Integrated Risk Type that can manifest through other risk types. Consideration for standalone Risk Appetite Statements will be given in 2022 for additional integrated risks such as Third-Party Risk and Digital Asset Risk. These risk types are currently supported by Risk Appetite metrics embedded within the respective PRTs. The Group Risk Committee, the Group Financial Crime Risk Committee, the Group Non-Financial Risk Committee and the Group Asset and Liability Committee are responsible for ensuring that our risk profile is managed in compliance with the Risk Appetite set by the Board. The Board Risk Committee and the Board Financial Crime Risk Committee (for Financial Crime Compliance) advise the Board on and monitor the Group's compliance with the Risk Appetite Statement.

The individual Principal Risk Types' Risk Appetite Statements approved by the Board are set out in the **Principal Risks** section (**pages 264 to 279**).

Risk identification and assessment

Identification and assessment of potentially adverse risk events is an essential first step in managing the risks of any business or activity. To ensure consistency in communication we use Principal Risk Types to classify our risk exposures.

Nevertheless, we also recognise the need to maintain a holistic perspective since a single transaction or activity may give rise to multiple types of risk exposure; risk concentrations may arise from multiple exposures that are closely correlated; and a given risk exposure may change its form from one risk type to another. There are also sources of risk that arise beyond our own operations such as the Group's dependency on suppliers for the provision of services and technology.

As the Group remains accountable for risks arising from the actions of such third-parties, failure to adequately monitor and manage these relationships could materially impact the Group's ability to operate and could have an impact on our ability to continue to provide services that are material to the Group.

To facilitate risk identification and assessment, the Group maintains a dynamic risk-scanning process with inputs from the internal and external risk environment, as well as potential threats and opportunities from the business and client perspectives. The Group maintains a taxonomy of the Principal Risk Types, Integrated Risk Types and risk sub-types that are inherent to the strategy and business model; as well as an emerging risks inventory that includes near-term as well as longer-term uncertainties. Near-term risks are those that are on the horizon and can be measured and mitigated to some extent, while uncertainties are longer-term matters that should be on the radar but are not yet fully measurable.

The Group Chief Risk Officer and the Group Risk Committee review regular reports on the risk profile for the Principal Risk Types, adherence to the approved Risk Appetite and the Group risk inventory including emerging risks. They use this information to escalate material developments in each risk event and make recommendations to the Board annually on any potential changes to our Corporate Plan.

Further information on the Group's **emerging risks** can be found on **pages 280 to 287**.

Stress testing

The objective of stress testing is to support the Group in assessing that it:

- does not have a portfolio with excessive risk concentration that could produce unacceptably high losses under severe but plausible scenarios
- has sufficient financial resources to withstand severe but plausible scenarios
- has the financial flexibility to respond to extreme but plausible scenarios
- understands the key business model risks and considers what kind of event might crystallise those risks - even if extreme with a low likelihood of occurring - and identifies as required, actions to mitigate the likelihood or impact as required.

Enterprise stress tests incorporate Capital and Liquidity Adequacy Stress Tests, including in the context of capital adequacy, recovery and resolution, and stress tests that assess scenarios where our business model becomes challenged, such as the BoE Biennial Exploratory Scenario, or unviable, such as reverse stress tests.

Stress tests are performed at Group, country, business and portfolio level under a wide range of risks and at varying degrees of severity. Unless set by the Bank of England, scenario design is a bespoke process that aims to explore risks that can adversely impact the Group.

The Board delegates approval of stress test submissions to the Bank of England to the Board Risk Committee, which reviews the recommendations from the Group Risk Committee.

Based on the stress test results, the Group Chief Financial Officer and Group Chief Risk Officer can recommend strategic actions to the Board to ensure that the Group strategy remains within the Board-approved Risk Appetite.

Principal Risk Types

Principal Risk Types are risks that are inherent in our strategy and business model and have been formally defined in the Group's ERMF. These risks are managed through distinct RTFs which are approved by the Group Chief Risk Officer.

The Principal Risk Types and associated Risk Appetite Statements are approved by the Board.

The Group currently recognises Climate Risk, Digital Asset Risk and Third-Party Risk as Integrated Risk Types. Climate Risk is defined as "the potential for financial loss and non-financial detriments arising from climate change and society's response to it"; Digital Asset Risk is defined as "the potential for regulatory penalties, financial loss and or reputational damage to the Group resulting from digital asset exposure or digital asset related activities arising from the Group's Clients, Products and Projects" and Third-Party risk is defined as "the potential for loss or adverse impact from failure to manage multiple risks arising from the use of third parties, and is the aggregate of these risks."

In line with the Group's strategy to explore digital-asset related opportunities, the Group continued to develop and enhance its Digital Asset Risk Management approach during 2021 in order to further embed risk management practices and ensure that digital asset activities across the Group are appropriately risk managed, and within the Group's Risk Appetite. The approach requires comprehensive assessments of risks arising from such initiatives and seeks to integrate the approach within existing risk management practices. The approach recognises the need for digital asset subject matter experts to assess and advise on the specific risks presented by digital assets. A Digital Assets Risk Management policy, outlining requirements for digital asset initiatives, has been implemented and is supported by defined processes, templates and guidance relating to the identification of higher-risk digital asset activities, coin admission requirements, and enhanced due diligence practices for products, projects and clients. The Group has formalised a stand-alone committee to oversee digital asset related risks.

In future reviews, we will continue to consider if existing Principal Risk Types or incremental risks should be treated as Integrated Risk Types. The table below shows the Group's current Principal Risk Types.

Principal Risk Types	Definition
Credit Risk	• Potential for loss due to the failure of a counterparty to meet its agreed obligations to pay the Group.
Traded Risk	• Potential for loss resulting from activities undertaken by the Group in financial markets.
Treasury Risk	• Treasury Risk is formed of Capital and Liquidity Risk, and Interest Rate Risk in the Banking Book. Capital Risk is the potential for insufficient level, composition or distribution of capital, own funds and eligible liabilities to support our normal activities. Liquidity Risk is the risk that we may not have sufficient stable or diverse sources of funding to meet our obligations as they fall due. Interest Rate Risk in the Banking Book is the potential for a reduction in earnings or economic value due to movements in interest rates on banking book assets, liabilities and off-balance sheet items.
Operational and Technology Risk	• Potential for loss resulting from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks).
Information and Cyber Security Risk	• Risk to the Group's assets, operations and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems.
Compliance Risk	• Potential for penalties or loss to the Group or for an adverse impact to our clients, stakeholders or to the integrity of the markets we operate in through a failure on our part to comply with laws or regulations.
Financial Crime Risk	• Potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to international sanctions, anti-money laundering, anti-bribery and corruption, and fraud.
Model Risk	• Potential loss that may occur as a consequence of decisions or the risk of mis-estimation that could be principally based on the output of models, due to errors in the development, implementation or use of such models.
Reputational and Sustainability Risk	• Potential for damage to the franchise (such as loss of trust, earnings or market capitalisation), because of stakeholders taking a negative view of the Group through actual or perceived actions or inactions, including a failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm through our client, third-party relationships or our own operations.

Further details of our principal risks and how these are being managed are set out in the **Principal Risks** section (**pages 264 to 279**).

ERMF effectiveness reviews

The Group Chief Risk Officer is responsible for annually affirming the effectiveness of the ERMF to the Board Risk Committee. To facilitate this, an ERMF effectiveness review was established in 2018, which follows the principle of evidence-based self-assessments for all the Risk Type Frameworks and relevant policies. A top-down review and challenge of the results is conducted by the Group Chief Risk Officer with all Risk Framework Owners, and an opinion on the internal control environment is provided by Group Internal Audit.

The ERMF effectiveness review is conducted annually and enables measurement of progress against the 2018 baseline. The key outcomes of the 2021 effectiveness review are:

- While the ERMF has evolved over the past four years to reflect changes in the risk profile, the focus in 2021 continued on the effective embedding of the framework across the organisation.
- The more mature financial risks continued to be more effectively managed on a relative basis compared to non-financial risks, and other aspects of the ERMF are established and operating to a more consistent standard, including the key risk committees and key supporting standards.
- Self-assessments performed in our footprint markets reflect the maturing ERMF adoption with emphasis on first-line ownership of risks. Country and regional risk committees continue to play an active and vital role in managing and overseeing material issues arising in countries.

Over the course of 2022, the Group aims to further strengthen its risk management practices through further improving on the management of non-financial risks within its businesses, functions and across the footprint, as well as management of risks which are integrated in nature.

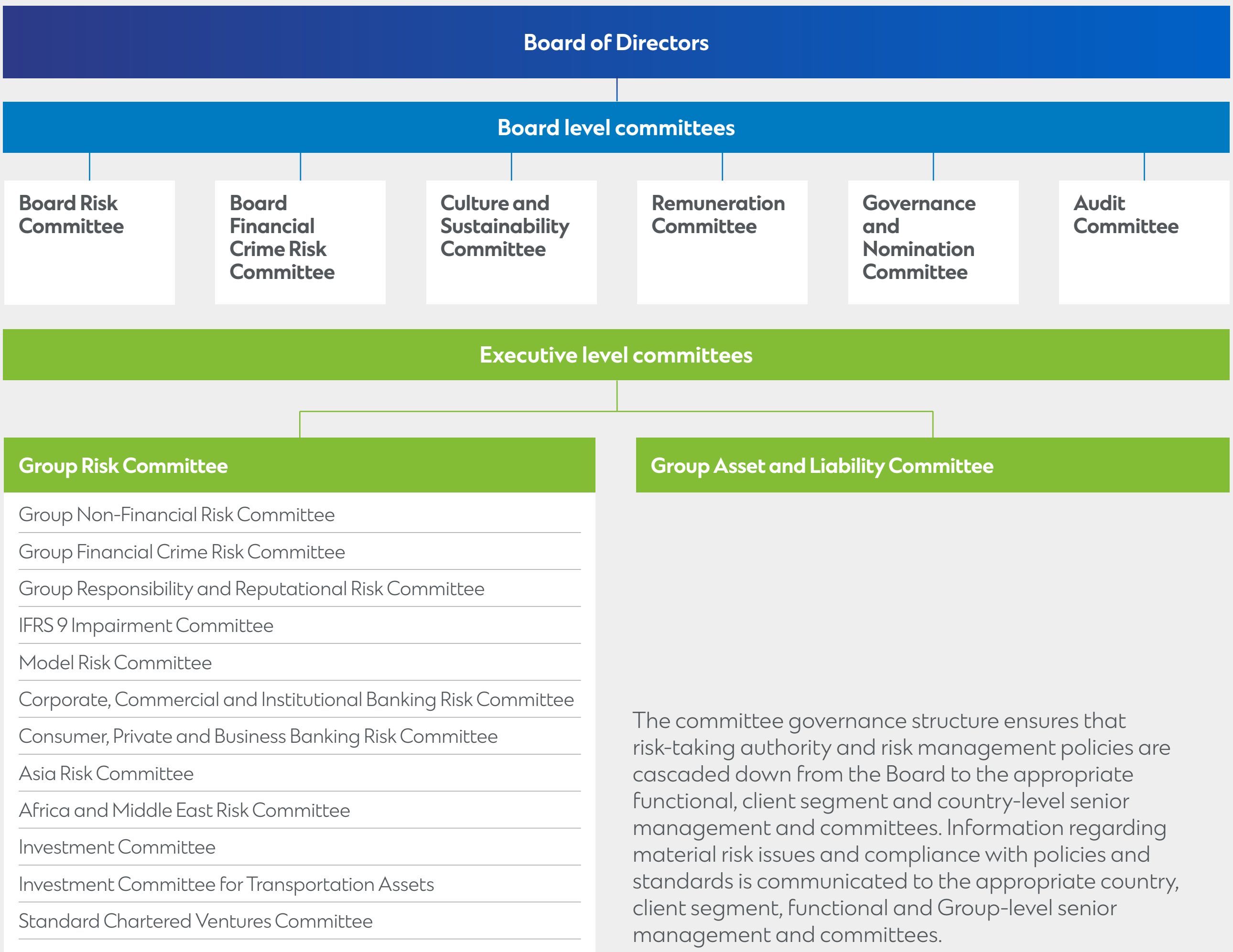
Executive and Board risk oversight

Overview

The Board has ultimate responsibility for risk management and is supported by six Board-level committees. The Board approves the ERMF based on the recommendation from the Board Risk Committee, which also recommends the Group Risk Appetite Statement for all Principal Risk Types other than Financial Crime Risk. Financial Crime Risk Appetite is reviewed and recommended to the Board by the Board Financial Crime Risk Committee. In addition, the Culture and Sustainability Committee (CSC) oversees the Group's culture and key sustainability priorities.

Board and Executive level risk committee governance structure

The Committee governance structure below presents the view as of 2021.



The committee governance structure ensures that risk-taking authority and risk management policies are cascaded down from the Board to the appropriate functional, client segment and country-level senior management and committees. Information regarding material risk issues and compliance with policies and standards is communicated to the appropriate country, client segment, functional and Group-level senior management and committees.

Asia Risk Committee derives authority from both the Group Risk Committee (for oversight of the Asia region) and the Executive Committee of Standard Chartered Bank (Hong Kong) Limited ("SCBHK") for oversight of SCBHK Group.

Group Risk Committee

The Group Risk Committee, which derives its authority from the Group Chief Risk Officer, is responsible for ensuring the effective management of risk throughout the Group in support of the Group's strategy. The Group Chief Risk Officer chairs the Group Risk Committee, whose members are drawn from the Group's Management Team. The Committee determines the ERMF and oversees its effective implementation across the Group, including the delegation of any part of its authorities to appropriate individuals or properly constituted sub-committees.

Group Risk Committee sub-committees

The Group Non-Financial Risk Committee, co-chaired by the Global Head, Enterprise Risk Management and Deputy CRO SC Bank and Group Head, Central Finance and Deputy CFO SC Bank, governs the non-financial risks across clients, businesses, products and functions. The non-financial Risk Types in scope are Operational and Technology Risk, Compliance Risk, Conduct Risk, Information and Cyber Security Risk, Fraud Risk and Secondary Reputational Risk that is consequential in nature arising from risks pertaining to Principal Risk Types. The Committee also reviews the adequacy of the internal control system across all Principal Risk Types.

The Group Financial Crime Risk Committee, chaired by the Group Head, Conduct, Financial Crime and Compliance governs the Financial Crime Risk Type (excluding Fraud Risk and Secondary Reputational Risk that is consequential in nature arising from risks pertaining to Financial Crime Risk) across the Group. The Committee ensures that the Financial Crime Risk profile is managed within approved Risk Appetite and policies. The Committee is also responsible for recommending the Financial Crime Risk Appetite Statement and Risk Appetite metrics to the Board Financial Crime Risk Committee.

The Group Responsibility and Reputational Risk Committee, chaired by the Group Head, Conduct, Financial Crime and Compliance, ensures the effective management of Reputational and Sustainability Risk across the Group. This includes providing oversight of matters arising from clients, products, transactions and strategic coverage-related decisions and matters escalated by the respective Risk Framework Owners.

The IFRS 9 Impairment Committee, chaired by the Global Head, Enterprise Risk Management, ensures the effective management of the expected credit loss computations as well as stage allocation of financial assets for quarterly financial reporting within the authorities set by the Group Risk Committee.

The Model Risk Committee, chaired by the Global Head, Enterprise Risk Management, ensures the effective measurement and management of Model Risk in line with internal policies and Model Risk Appetite.

The Corporate, Commercial and Institutional Banking (CCIB) Risk Committee, chaired by the Chief Risk Officer, CCIB and Europe & Americas, ensures the effective management of risk throughout CCIB in support of the Group's strategy.

The Consumer, Private and Business Banking (CPBB) Risk Committee, chaired by the Chief Risk Officer, CPBB, ensures the effective management of risk throughout CPBB in support of the Group's strategy.

The two regional risk committees are chaired by the Chief Risk Officer for the respective region. These ensure the effective management of risk in the regions in support of the Group's strategy.

The Investment Committee ensures the optimised wind-down of the Group's existing direct investment activities in equities, quasi-equities (excluding mezzanine), funds and other alternative investments (excluding debt/debt-like instruments). The Committee is chaired by a representative of the Risk function (which includes the Global Head, Enterprise Risk Management, Global Head, Group Special Assets Management and other members appointed by the Group Chief Risk Officer).

The Investment Committee for Transportation Assets, chaired by the Chief Risk Officer, CCIB and Europe & Americas, ensures the optimisation of the Group's investment in aviation and shipping operating lease assets, with the aim of delivering better returns through the cycle.

The Standard Chartered Ventures (SCV) Committee, chaired by the Chief Risk Officer, SCV, receives authority directly from the GCRO and ensures the effective management of risk throughout SCV and individual entities operating under SCV.

Group Asset and Liability Committee

The Group Asset and Liability Committee is chaired by the Group Chief Financial Officer. Its members are drawn principally from the Management Team. The Committee is responsible for determining the Group's approach to balance sheet strategy and recovery planning. The Committee is also responsible for ensuring that, in executing the Group's strategy, the Group operates within internally approved Risk Appetite and external requirements relating to capital, loss-absorbing capacity, liquidity, leverage, Interest Rate Risk in the Banking Book, Banking Book Basis Risk and Structural Foreign Exchange Risk, and meets internal and external recovery planning requirements.

Principal risks

We manage and control our Principal Risk Types through distinct Risk Type Frameworks, policies and Board-approved Risk Appetite.

Credit Risk

The Group defines Credit Risk as the potential for loss due to the failure of a counterparty to meet its agreed obligations to pay the Group.

Risk Appetite Statement

The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors.

Roles and responsibilities

The Credit Risk Type Frameworks for the Group are set and owned by the Chief Risk Officers for the business segments. The Credit Risk function is the second-line control function responsible for independent challenge, monitoring and oversight of the Credit Risk management practices of the business and functions engaged in or supporting revenue-generating activities which constitute the first line of defence. In addition, they ensure that credit risks are properly assessed and transparent; and that credit decisions are controlled in accordance with the Group's Risk Appetite, credit policies and standards.

Mitigation

Segment-specific policies are in place for the management of Credit Risk. The Credit Policy for Corporate, Commercial and Institutional Banking Client Coverage sets the principles that must be followed for the end-to-end credit process including credit initiation, credit grading, credit assessment, product structuring, Credit Risk mitigation, monitoring and control, and documentation.

The Consumer, Private and Business Banking Credit Risk Management Policy sets the principles for the management of Consumer, Private and Business Banking segments, that must be followed for end-to-end credit process including credit initiation, credit assessment and monitoring for lending to these segments.

The Group also sets out standards for the eligibility, enforceability and effectiveness of Credit Risk mitigation arrangements. Potential credit losses from a given account, client or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and guarantees.

Risk mitigants are also carefully assessed for their market value, legal enforceability, correlation and counterparty risk of the protection provider.

Collateral must be valued prior to drawdown and regularly thereafter as required, to reflect current market conditions, the probability of recovery and the period of time to realise the collateral in the event of liquidation. The Group also seeks to diversify its collateral holdings across asset classes and markets.

Where guarantees, credit insurance, standby letters of credit or credit derivatives are used as Credit Risk mitigation, the creditworthiness of the protection provider is assessed and monitored using the same credit approval process applied to the obligor.

Governance committee oversight

At Board level, the Board Risk Committee oversees the effective management of Credit Risk. At the executive level, the Group Risk Committee (GRC) oversees and appoints sub-committees for the management of Credit Risk – in particular the Corporate, Commercial and Institutional Banking Risk Committee (CCIBRC), Consumer, Private and Business Banking Risk Committee (CPBBRC), and the regional risk committees for Asia, and Africa & Middle East. The GRC also receives reports from other key Group Committees such as the Standard Chartered Bank Executive Risk Committee.

These committees are responsible for overseeing the Credit Risk profile of the Group within the respective business areas and regions. Meetings are held regularly, and the committees monitor all material Credit Risk exposures, as well as key internal developments and external trends, and ensure that appropriate action is taken.

Decision-making authorities and delegation

The Credit Risk Type Frameworks are the formal mechanism which delegate Credit Risk authorities cascading from the Group Chief Risk Officer, as the Senior Manager of the Credit Risk Type, to individuals such as the business segments' Chief Risk Officers. Named individuals further delegate credit authorities to individual credit officers based on risk-adjusted scales by customer type or portfolio.

Credit Risk authorities are reviewed at least annually to ensure that they remain appropriate. In Corporate, Commercial and Institutional Banking Client Coverage, the individuals delegating the Credit Risk authorities perform oversight by reviewing a sample of the limit applications approved by the delegated credit officers on a monthly basis. In Consumer, Private and Business Banking, in most cases credit decision systems and tools (e.g. application scorecards) are used for credit decisioning. Where manual or discretionary credit decisions are applied, these are subject to periodic quality control assessment and assurance checks.

Monitoring

We regularly monitor credit exposures, portfolio performance, and external trends that may impact risk management outcomes. Internal risk management reports that are presented to risk committees contain information on key political and economic trends across major portfolios and countries, portfolio delinquency and loan impairment performance.

The Industry Portfolio Mandate, developed jointly by the Corporate, Commercial and Institutional Banking Client Coverage business and the Risk function, provides a forward-looking assessment of risk using a platform from which business strategy, risk considerations and client planning are performed with one consensus view of the external industry outlook, portfolio overviews, Risk Appetite, underwriting principles and stress test insights.

In Corporate, Commercial and Institutional Banking Client Coverage, clients and portfolios are subjected to additional review when they display signs of actual or potential weakness; for example, where there is a decline in the client's position within the industry, financial deterioration, a breach of covenants, or non-performance of an obligation within the stipulated period. Such accounts are subjected to a dedicated process overseen by the Credit Issues Committees in the relevant countries where client account strategies and credit grades are re-evaluated. In addition, remedial actions, including exposure reduction, security enhancement or exiting the account, could be undertaken, and certain accounts could also be transferred into the control of Group Special Assets Management (GSAM), which is our specialist recovery unit for Corporate, Commercial and Institutional Banking Client Coverage that operates independently from our main business.

For Consumer, Private and Business Banking, exposures and collateral monitoring are performed at the counterparty and/or portfolio level across different client segments to ensure transactions and portfolio exposures remain within Risk Appetite. Portfolio delinquency trends are monitored on an ongoing basis. Accounts that are past due (or perceived as high risk but not yet past due) are subject to a collections or recovery process managed by a specialist function independent from the origination function. In some countries, aspects of collections and recovery activities are outsourced. For discretionary lending portfolios, similar processes as of Commercial client coverage are followed.

In addition, an independent Credit Risk Review team (part of Enterprise Risk Management), performs judgement-based assessments of the Credit Risk profiles at various portfolio levels, with focus on selected countries and segments through deep dives, comparative analysis, and review and challenge of the basis of credit approvals. The review ensures that the evolving Credit Risk profiles of Corporate, Commercial and Institutional Banking and Consumer, Private and Business Banking are well managed within our Risk Appetite and policies through prompt and forward-looking mitigating actions.

Credit rating and measurement

All credit proposals are subject to a robust Credit Risk assessment. It includes a comprehensive evaluation of the client's credit quality, including willingness, ability and capacity to repay. The primary lending consideration is based on the client's credit quality and the repayment capacity from operating cashflows for counterparties, and personal income or wealth for individual borrowers. The risk assessment gives due consideration to the client's liquidity and leverage position. Where applicable, the assessment includes a detailed analysis of the Credit Risk mitigation arrangements to determine the level of reliance on such arrangements as the secondary source of repayment in the event of a significant deterioration in a client's credit quality leading to default.

Risk measurement plays a central role, along with judgement and experience, in informing risk-taking and portfolio management decisions. Since 1 January 2008, we have used the advanced internal ratings-based approach under the Basel regulatory framework to calculate Credit Risk capital requirements. The Group has also established a global programme to undertake a comprehensive assessment of capital requirements necessary to be implemented to meet the latest revised Basel III finalisation (Basel IV) regulations.

A standard alphanumeric Credit Risk grade system is used for Corporate, Commercial and Institutional Banking Client Coverage. The numeric grades run from 1 to 14 and some of the grades are further sub-classified. Lower numeric credit grades are indicative of a lower likelihood of default. Credit grades 1 to 12 are assigned to performing customers, while credit grades 13 and 14 are assigned to non-performing or defaulted customers.

Consumer, Private and Business Banking internal ratings-based portfolios use application and behavioural credit scores that are calibrated to generate a probability of default and then mapped to the standard alphanumeric Credit Risk grade system. We refer to external ratings from credit bureaus (where these are available); however, we do not rely solely on these to determine CPBB credit grades. Risk Decision Framework (RDF) as a credit rating system supports the delivery of optimum risk-adjusted-returns with controlled volatility and is used to define the portfolio/new booking segmentation, shape and decision criteria for the unsecured consumer business segment.

Advanced internal ratings-based models cover a substantial majority of our exposures and are used in assessing risks at a customer and portfolio level, setting strategy and optimising our risk-return decisions. Material internal ratings-based risk measurement models are approved by the Model Risk Committee. Prior to review and approval, all internal ratings-based models are validated in detail by a model validation team, which is separate from the teams that develop and maintain the models. Models undergo annual validation by an independent model validation team. Reviews are also triggered if the performance of a model deteriorates materially against predetermined thresholds during the ongoing model performance monitoring process which takes place between the annual validations.

Credit Concentration Risk

Credit Concentration Risk may arise from a single large exposure to a counterparty or a group of connected counterparties, or from multiple exposures across the portfolio that are closely correlated. Large exposure Concentration Risk is managed through concentration limits set for a counterparty or a group of connected counterparties based on control and economic dependence criteria. Risk Appetite metrics are set at portfolio level and monitored to control concentrations, where appropriate, by industry, specific products, tenor, collateralisation level, top clients and exposure to holding companies. Single name credit concentration thresholds are set by client group depending on credit grade, and by customer segment. For concentrations that are material at a Group level, breaches and potential breaches are monitored by the respective governance committees and reported to the Group Risk Committee and Board Risk Committees.

Credit impairment

Expected credit losses (ECL) are determined for all financial assets that are classified as amortised cost or fair value through other comprehensive income. ECL is computed as an unbiased, probability-weighted provision determined by evaluating a range of plausible outcomes, the time value of money, and forward-looking information such as critical global or country-specific macroeconomic variables. For more detailed information on macroeconomic data feeding into IFRS 9 ECL calculations, please refer to the Risk profile section (pages 233 to 244).

At the time of origination or purchase of a non-credit-impaired financial asset (stage 1), ECL represent cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. ECL continue to be determined on this basis until there is a significant increase in the Credit Risk of the asset (stage 2), in which case an ECL is recognised for default events that may occur over the lifetime of the asset. If there is observed objective evidence of credit impairment or default (stage 3), ECL continue to be measured on a lifetime basis. To provide the Board with oversight and assurance that the quality of assets originated are aligned to the Group's strategy, there is a Risk Appetite metric to monitor the stage 1 and stage 2 expected credit losses from assets originated in the past 12 months.

In Corporate, Commercial and Institutional Banking Client Coverage, a loan is considered credit-impaired where analysis and review indicate that full payment of either interest or principal, including the timeliness of such payment, is questionable, or as soon as payment of interest or principal is 90 days overdue. These credit-impaired accounts are managed by our specialist recovery unit (GSAM). Where appropriate, non-material credit-impaired accounts are co-managed with the business under the supervision of GSAM.

In Consumer, Private and Business Banking, a loan is considered credit-impaired as soon as payment of interest or principal is 90 days overdue or meets other objective evidence of impairment such as bankruptcy, debt restructuring, fraud or death. Financial assets are written-off when it meets certain threshold conditions which are set at the point where empirical evidence suggests that the client is unlikely to meet their contractual obligations, or a loss of principal is expected.

Estimating the amount and timing of future recoveries involves significant judgement and considers the assessment of matters such as future economic conditions and the value of collateral, for which there may not be a readily accessible market. The total amount of the Group's impairment provision is inherently uncertain, being sensitive to changes in economic and credit conditions across the regions in which the Group operates. For further details on sensitivity analysis of expected credit losses under IFRS 9, please refer to the Risk profile section (pages 233 to 244).

Stress testing

Stress testing is a forward-looking risk management tool that constitutes a key input into the identification, monitoring and mitigation of Credit Risk, as well as contributing to Risk Appetite calibration. Periodic stress tests are performed on credit portfolios/segments to anticipate vulnerabilities from stressed conditions and initiate timely right-sizing and mitigation plans. Additionally, multiple enterprise-wide and country-level stress tests are mandated by regulators to assess the ability of the Group and its subsidiaries to continue to meet their capital requirements during a plausible, adverse shock to the business. These regulatory stress tests are conducted in line with the principles stated in the Enterprise Stress Testing Policy. Stress tests for key portfolios are reviewed by the Credit Risk Type Framework Owners (or delegates) as part of portfolio oversight; and matters considered material to the Group are escalated to the Group Chief Risk Officer and respective regional risk committee.

Traded Risk

The Group defines Traded Risk as the potential for loss resulting from activities undertaken by the Group in financial markets.

Risk Appetite Statement

The Group should control its trading portfolio and activities to ensure that Traded Risk losses (financial or reputational) do not cause material damage to the Group's franchise.

The Traded Risk Type Framework (TRTF) brings together all risk sub-types exhibiting risk features common to Traded Risk. These risk sub-types include Market Risk, Counterparty Credit Risk and Algorithmic Trading. Traded Risk Management (TRM) is the core risk management function supporting market-facing businesses, specifically Financial Markets and Treasury.

Roles and responsibilities

The TRTF, which sets the roles and responsibilities in respect of Traded Risk for the Group, is owned by the Global Head, Traded Risk Management. The business, acting as first line of defence, is responsible for the effective management of risks within the scope of its direct organisational responsibilities set by the Board. The TRM function is the second-line control function that performs independent challenge, monitoring and oversight of the Traded Risk management practices of the first line of defence. The first and second lines of defence are supported by the organisation structure, job descriptions and authorities delegated by Traded Risk control owners.

Mitigation

The Group controls its trading portfolio and activities within Risk Appetite by assessing the various Traded Risk factors. These are captured and analysed using proprietary analytical tools, in addition to risk managers' specialist market and product knowledge.

The Group's Traded Risk exposure is aligned with its Risk Appetite for Traded Risk, and assessment of potential losses that might be incurred by the Group as a consequence of extreme but plausible events.

All businesses incurring Traded Risk must be in compliance with the TRTF. The TRTF requires that Traded Risk limits are defined at a level appropriate to ensure that the Group remains within Traded Risk Appetite.

The TRTF, and underlying policies and standards ensure that these Traded Risk limits are implemented. All Traded Risk exposures throughout the Group aggregate up to TRM's Group-level reporting. This aggregation approach ensures that the limits structure across the Group is consistent with the Group's Risk Appetite.

The TRTF and Enterprise Stress Testing Policy ensure that adherence to stress-related Risk Appetite metrics is achieved. Stress testing aims at supplementing other risk metrics used within the Group by providing a forward-looking view of positions and an assessment of their resilience to stressed market conditions. Stress testing is performed on all Group businesses with Traded Risk exposures, either where the risk is actively traded or where material risk remains. This additional information is used to inform the management of the Traded Risk taken within the Group. The outcome of stress tests is discussed across the various business lines and management levels so that existing and potential risks can be reviewed, and related management actions can be decided upon where appropriate.

Policies are reviewed and approved by the Global Head, TRM annually to ensure their ongoing effectiveness.

Governance committee oversight

At Board level, the Board Risk Committee oversees the effective management of Traded Risk. At the executive level, the Group Risk Committee delegates responsibilities to the CCIBRC to act as the primary risk governance for Traded Risk. Where Traded Risk limits are set at a country level, committee governance is:

- Subsidiary authority for setting Traded Risk limits, where applicable, is delegated from the local board to the local risk committee, Country Chief Risk Officer and Traded Risk managers.
- Branch authority for setting Traded Risk limits remains with TRM which retains responsibility for monitoring and reporting excesses.

Decision-making authorities and delegation

The Group's Risk Appetite Statement, along with the key associated Risk Appetite metrics, is approved by the Board with responsibility for Traded Risk limits, then tiered accordingly.

Subject to the Group's Risk Appetite for Traded Risk, the Group Risk Committee sets Group-level Traded Risk limits, via delegation to the Group Chief Risk Officer. The Group Chief Risk Officer delegates authority for all Traded Risk limits to the TRTF Owner (Global Head, TRM) who in turn delegates approval authorities to individual Traded Risk managers.

Additional limits are placed on specific instruments, positions, and portfolio concentrations where appropriate. Authorities are reviewed at least annually to ensure that they remain appropriate and to assess the quality of decisions taken by the authorised person. Key risk-taking decisions are made only by certain individuals with the skills, judgement and perspective to ensure that the Group's control standards and risk-return objectives are met. Authority delegators are responsible for monitoring the quality of the risk decisions taken by their delegates and the ongoing suitability of their authorities.

Market Risk

The Group uses a Value at Risk (VaR) model to measure the risk of losses arising from future potential adverse movements in market rates, prices and volatilities. VaR is a quantitative measure of Market Risk that applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcomes.

For day-to-day risk management, VaR is calculated as at the close of business, generally at UK time for expected market movements over one business day and to a confidence level of 97.5 per cent. Intra-day risk levels may vary from those reported at the end of the day.

The Group applies two VaR methodologies:

- Historical simulation: this involves the revaluation of all existing positions to reflect the effect of historically observed changes in Market Risk factors on the valuation of the current portfolio. This approach is applied for general Market Risk factors and the majority of specific (credit spread) risk VaRs.
- Monte Carlo simulation: this methodology is similar to historical simulation but with considerably more input risk factor observations. These are generated by random sampling techniques, but the results retain the essential variability and correlations of historically observed risk factor changes. This approach is applied for some of the specific (credit spread) risk VaRs in relation to idiosyncratic exposures in credit markets.

A one-year historical observation period is applied in both methods.

As an input to regulatory capital, trading book VaR is calculated for expected movements over 10 business days and to a confidence level of 99 per cent. Some types of Market Risk are not captured in the regulatory VaR measure, and these Risks not in VaR (RNIVs) are subject to capital add-ons.

An analysis of VaR and backtesting results in 2021 is available in the Risk profile section (pages 245 to 248).

Counterparty Credit Risk

The Counterparty Credit Risk arising from activities in financial markets is in scope of the Risk Appetite set by the Group for Traded Risk.

The Group uses a Potential Future Exposure (PFE) model to measure the credit exposure arising from the positive mark-to-market of traded products and future potential movements in market rates, prices and volatilities. PFE is a quantitative measure of Counterparty Credit Risk that applies recent historical market conditions to estimate the potential future credit exposure that will not be exceeded in a set time period at a confidence level of 97.5 per cent.

PFE is calculated for expected market movements over different time horizons based on the tenor of the transactions.

The Group applies two PFE methodologies: simulation based, which is predominantly used, and an add-on based PFE methodology.

Underwriting

The underwriting of securities and loans is in scope of the Risk Appetite set by the Group for Traded Risk. Additional limits approved by the Group Chief Risk Officer are set on the underwriting portfolio stress loss, and the maximum holding period. The Underwriting Committee, under the authority of the Group Chief Risk Officer, approves individual proposals to underwrite new security issues and loans for our clients.

Monitoring

TRM monitors the overall portfolio risk and ensures that it is within specified limits and therefore Risk Appetite. Limits are typically reviewed twice a year.

Most of the Traded Risk exposures are monitored daily against approved limits. Traded Risk limits apply at all times unless separate intra-day limits have been set. Limit excess approval decisions are based on an assessment of the circumstances driving the excess and of the proposed remediation plan.

Limits and excesses can only be approved by a Traded Risk manager with the appropriate delegated authority.

TRM reports and monitors limits applied to stressed exposures. Stress scenario analysis is performed on all Traded Risk exposures in financial markets and in portfolios outside financial markets such as syndicated loans and principal finance. Stress loss excesses are discussed with the business and approved where appropriate, based on delegated authority levels.

Stress testing

The VaR and PFE measurements are complemented by weekly stress testing of Market Risk and Counterparty Credit Risk to highlight the potential risk that may arise from severe but plausible market events.

Stress testing is an integral part of the Traded Risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress testing methodology is applied to trading and non-trading books. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs.

Regular stress test scenarios are applied to interest rates, credit spreads, exchange rates, commodity prices and equity prices. This covers all asset classes in the Financial Markets and Treasury books. Ad hoc scenarios are also prepared, reflecting specific market conditions and for particular concentrations of risk that arise within the business.

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The TRM function reviews stress testing results and, where necessary, enforces reductions in overall Traded Risk exposures. The Group Risk Committee considers the results of stress tests as part of its supervision of Risk Appetite.

Where required, Group and business-wide stress testing will be supplemented by entity stress testing at a country level. This stress testing is coordinated at the country level and subject to the relevant local governance.

Treasury Risk

Treasury Risk is formed of Capital and Liquidity Risk, and Interest Rate Risk in the Banking Book. Capital Risk is the potential for an insufficient level, composition or distribution of capital, own funds and eligible liabilities to support our normal activities. Liquidity Risk is the risk that we may not have sufficiently stable or diverse sources of funding to meet our obligations as they fall due. Interest Rate Risk in the Banking Book is the potential for a reduction in earnings or economic value due to movements in interest rates on banking book assets, liabilities and off-balance sheet items.

Risk Appetite Statement

The Group should maintain a strong capital position including the maintenance of management buffers sufficient to support its strategic aims and hold an adequate buffer of high quality liquid assets to survive extreme but plausible liquidity stress scenarios for at least 60 days without recourse to extraordinary central bank support.

Roles and responsibilities

The Global Head, Enterprise Risk Management is responsible for the Risk Type Framework for Treasury Risk.

The Group Treasurer is supported by teams in Treasury and Finance to implement the Treasury Risk Type Framework as the first line of defence, and is responsible for managing Treasury Risk.

From 2022, the second line of defence responsibility for Pension risk sub-type will move from Traded Risk to Treasury Risk, and the risk will be governed under the Treasury Risk Type Framework.

Mitigation

The Group develops policies to address material Treasury Risks and aims to maintain its risk profile within Risk Appetite. In order to do this, metrics are set against Capital Risk, Liquidity and Funding Risk and Interest Rate Risk in the Banking Book (IRRBB). Where appropriate, Risk Appetite metrics are cascaded down to regions and countries in the form of limits and management action triggers.

Capital Risk

In order to manage Capital Risk, strategic business and capital plans are drawn up covering a five-year horizon and are approved by the Board annually. The capital plan ensures that adequate levels of capital, including loss-absorbing capacity, and an efficient mix of the different components of capital are maintained to support our strategy and business plans.

Treasury is responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

Risk Appetite metrics including capital, leverage, minimum requirement for own funds and eligible liability (MREL) and double leverage are assessed within the Corporate Plan to ensure that our business plan can be achieved within risk tolerances.

Structural FX Risk

The Group's structural position results from the Group's non-US dollar investment in the share capital and reserves of subsidiaries and branches. The FX translation gains, or losses are recorded in the Group's translation reserves with a direct impact on the Group's Common Equity Tier 1 ratio.

The Group contracts hedges to manage its structural FX position in accordance with the Board-approved Risk Appetite, and as a result the Group has taken net investment hedges to partially cover its exposure to certain non-US dollar currencies to mitigate the FX impact of such positions on its capital ratios.

Liquidity and Funding Risk

At Group, region and country level we implement various business-as-usual and stress risk metrics and monitor these against limits and management action triggers. This ensures that the Group maintains an adequate and well-diversified liquidity buffer, as well as a stable funding base, and that it meets its liquidity and funding regulatory requirements. The approach to managing risks and the Board Risk Appetite are assessed annually through the Internal Liquidity Adequacy Assessment Process. A funding plan is also developed for efficient liquidity projections to ensure that the Group is adequately funded in the required currencies, to meet its obligations and client funding needs.

Interest Rate Risk in the Banking Book

This risk arises from differences in the repricing profile, interest rate basis, and optionality of banking book assets, liabilities and off-balance sheet items. IRRBB represents an economic and commercial risk to the Group and its capital adequacy. The Group monitors IRRBB against the Board Risk Appetite.

Recovery and Resolution Planning

In line with PRA requirements, the Group maintains a Recovery Plan which is a live document to be used by management in the event of stress in order to restore the Group to a stable and sustainable position. The Recovery Plan includes a set of recovery indicators, an escalation framework and a set of management actions capable of being implemented in a stress. A Recovery Plan is also maintained within each major entity, and all recovery plans are subject to periodic fire-drill testing.

As the UK resolution authority, the Bank of England (BoE) is required to set a preferred resolution strategy for the Group. The BoE's preferred resolution strategy is whole Group single point of entry bail-in at the ultimate holding company level (Standard Chartered PLC) and would be led by the BoE as the Group's home resolution authority. In support of this strategy, the Group has been developing a set of capabilities, arrangements and resources to achieve the required outcomes. The Group expects to disclose a summary of its preparations in 2022, alongside a public statement from the BoE on the resolvability of each in-scope firm.

Governance committee oversight

At the Board level, the Board Risk Committee oversees the effective management of Treasury Risk. At the executive level, the Group Asset and Liability Committee ensures the effective management of risk throughout the Group in support of the Group's strategy, guides the Group's strategy on balance sheet optimisation and ensures that the Group operates within the internally approved Risk Appetite and other internal and external treasury requirements.

Regional and country oversight resides with regional and country Asset and Liability Committees. Regions and countries must ensure that they remain in compliance with Group Treasury policies and practices, as well as local regulatory requirements.

Decision-making authorities and delegation

The Group Chief Financial Officer has responsibility for capital, funding and liquidity under the Senior Managers Regime. The Group Chief Risk Officer has delegated the Risk Framework Owner responsibilities associated with Treasury Risk to the Global Head, Enterprise Risk Management. The Global Head, Enterprise Risk Management delegates second-line oversight and challenge responsibilities to relevant and suitably qualified Treasury Chief Risk Officer and Country Chief Risk Officers.

Monitoring

On a day-to-day basis, the management of Treasury Risk is performed by the Group Treasurer, Country Chief Executive Officer and Treasury Markets. The Group regularly reports and monitors Treasury Risk inherent in its business activities and those that arise from internal and external events.

Internal risk management reports covering the balance sheet and the capital and liquidity position are presented to the relevant Asset and Liability Committee. The reports contain key information on balance sheet trends, exposures against Risk Appetite and supporting risk measures which enable members to make informed decisions around the overall management of the balance sheet.

In addition, an independent Treasury Chief Risk Officer as part of Enterprise Risk Management reviews the prudency and effectiveness of Treasury Risk management.

Stress testing

Stress testing and scenario analysis are an integral part of the Treasury Risk Framework and are used to ensure that the Group's internal assessment of capital and liquidity considers the impact of extreme but plausible scenarios on its risk profile. A number of stress scenarios, some designed internally, some required by regulators, are run periodically.

They provide an insight into the potential impact of significant adverse events on the Group's capital and liquidity position and how this could be mitigated through appropriate management actions to ensure that the Group remains within the approved Risk Appetite and regulatory limits.

Daily liquidity stress scenarios are also run to ensure that the Group holds sufficient high-quality liquid assets to withstand extreme liquidity events. The Group relies on these stress tests to understand the Group level vulnerabilities given the significant overlap between the Group and PLC Group's Treasury Risk.

Operational and Technology Risk

The Group defines Operational and Technology Risk as the potential for loss resulting from inadequate or failed internal processes, technology events, human error or from the impact of external events (including legal risks).

Risk Appetite Statement

The Group aims to control operational and technology risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise.

Roles and responsibilities

The Operational and Technology Risk Type Framework (O&T RTF) sets the roles and responsibilities in respect of Operational Risk for the Group, and is owned by the Global Head of Risk, Functions and Operational Risk (GHRFOR). This framework collectively defines the Group's Operational Risk sub-types which have not been classified as Principal Risk Types (PRTs) and sets standards for the identification, control, monitoring and treatment of risks. These standards are applicable across all PRTs and risk sub-types in the O&T RTF. These risk sub-types relate to execution capability, governance, reporting and obligations, legal enforceability, and operational resilience (including client service, change management, people management, safety and security, and technology risk).

The O&T RTF reinforces clear accountability for managing risk throughout the Group and delegates second line of defence responsibilities to identified subject matter experts. For each risk sub-type, the expert sets policies and standards for the organisation to comply with, and provides guidance, oversight and challenge over the activities of the Group. They ensure that key risk decisions are only taken by individuals with the requisite skills, judgement, and perspective to ensure that the Group's risk-return objectives are met.

Mitigation

The O&T RTF sets out the Group's overall approach to the management of Operational Risk in line with the Group's Operational and Technology Risk Appetite. This is supported by Risk and Control Self-Assessment (RCSA) which defines roles and responsibilities for the identification, control and monitoring of risks (applicable to all PRTs and risk sub-types).

The RCSA is used to determine the design strength and reliability of each process, and requires:

- the recording of processes run by client segments, products and functions into a process universe
- the identification of potential breakdowns to these processes and the related risks of such breakdowns
- an assessment of the impact of the identified risks based on a consistent scale
- the design and monitoring of controls to mitigate prioritised risks
- assessments of residual risk and timely actions for elevated risks.

Risks that exceed the Group's Operational and Technology Risk Appetite require treatment plans to address underlying causes.

Governance committee oversight

At Board level, the Board Risk Committee oversees the effective management of Operational Risk. At the executive level, the Group Risk Committee is responsible for the governance and oversight of Operational Risk for the Group, monitors the Group's Operational and Technology Risk Appetite and relies on other key Group committees for the management of Operational Risk, in particular the Group Non-Financial Risk Committee (GNFRC).

Regional business segments and functional committees also provide enterprise oversight of their respective processes and related operational risks. In addition, Country Non-Financial Risk Committees (CNFRCs) oversee the management of Operational Risk at the country (or entity) level. In smaller countries, the responsibilities of the CNFRC may be exercised directly by the Country Risk Committee (for branches) or Executive Risk Committee (for subsidiaries).

Decision-making authorities and delegation

The O&T RTF is the formal mechanism through which the delegation of Operational Risk authorities is made. The GHRFOR places reliance on the respective Senior Managers who are outside the Risk function for second-line oversight of the risk sub-types through this framework. The Senior Managers may further delegate their second-line responsibilities to designated individuals at a global business, product and function level, as well as regional or country level.

Monitoring

To deliver services to clients and to participate in the financial services sector, the Group runs processes which are exposed to operational risks. The Group prioritises and manages risks which are significant to clients and to the financial services sectors. Control indicators are regularly monitored to determine the residual risk the Group is exposed to.

The residual risk assessments and reporting of events form the Group's Operational Risk profile. The completeness of the Operational Risk profile ensures appropriate prioritisation and timeliness of risk decisions, including risk acceptances with treatment plans for risks that exceed acceptable thresholds.

The Board is informed on adherence to Operational and Technology Risk Appetite through metrics reported for selected risks. These metrics are monitored, and escalation thresholds are devised based on the materiality and significance of the risk. These Operational and Technology Risk Appetite metrics are consolidated on a regular basis and reported at relevant Group committees. This provides senior management with the relevant information to inform their risk decisions.

Stress testing

Stress testing and scenario analysis are used to assess capital requirements for operational risks. This approach considers the impact of extreme but plausible scenarios on the Group's Operational Risk profile. A number of scenarios have been identified to test the robustness of the Group's processes and assess the potential impact on the Group. These scenarios include anti-money laundering and sanctions, as well as information and cyber security.

Information and Cyber Security (ICS) Risk

The Group defines Information and Cyber Security Risk as the risk to the Group's assets, operations and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems.

Risk Appetite Statement

The Group seeks to minimise ICS risk from threats to the Group's most critical information assets and systems, and has a low appetite for material incidents affecting these or the wider operations and reputation of the Group.

Roles and responsibilities

The Group's Information and Cyber Security Risk Type Framework (ICS RTF) defines the roles and responsibilities of the first and second lines of defence in managing and governing ICS Risk respectively across the Group with emphasis on business ownership and individual accountability.

The Group Chief Operating Officer has overall first line of defence responsibility for ICS Risk and holds accountability for the Group's ICS strategy. The Group Chief Information Security Officer (CISO) leads the development and execution of the ICS strategy.

The Group Chief Information Security Risk Officer (CISRO) function within Group Risk, led by the Group CISRO, operates as the second line of defence and sets the strategy and methodology for assessing, scoring and prioritising ICS risks across the Group. This function has overall responsibility for governance, oversight and independent challenge of ICS Risk.

Mitigation

ICS Risk is managed through a structured ICS Risk framework comprising a risk assessment methodology and supporting policy, standards and methodologies which are aligned to industry best practice models.

In 2021, the ICS RTF was extended to include ICS end-to-end Risk Management and Governance and an enhanced threat-led risk assessment.

The Group CISRO function monitors compliance to the ICS framework through the review of the ICS risk assessments conducted by Group CISO.

All key ICS risks, breaches and risk treatment plans are managed under Group CISRO oversight and assurance. ICS Risk posture, Risk Appetite breaches and remediation status are reported at key Group, business, functional and country governance committees.

Governance committee oversight

At Board level, the Board Risk Committee oversees the effective management of ICS Risk. The Group Risk Committee (GRC) has delegated authority to the Group Non-Financial Risk Committee (GNFRC) to ensure effective implementation of the ICS RTF. The GRC and GNFRC are responsible for oversight of ICS Risk posture and Risk Appetite breaches rated very high and high. Sub-committees of the GNFRC have oversight of ICS Risk management arising from business, country and functional areas.

At a management level, the Group has also created the Cyber Security Advisory Forum, chaired by the Group Chief Executive Officer, as a way of ensuring the Management Team, the Group Chairman and several non-executive directors are well informed on ICS Risk, and to increase business understanding and awareness so that business priorities drive the security and cyber resilience agenda.

Decision-making authorities and delegation

The ICS RTF defines how ICS Risk Management will operate within the Group. The Group CISRO delegates authority to designated individuals through the ICS RTF, including second-line ownership at a business and function level as well as regional or country level The ICS RTF defines the levels of approval required for different risk ratings.

The Group CISO is responsible for implementing and operating ICS Security Risk Management within the Group, leveraging Business Heads of ICS to extend ICS risk management into the businesses, functions, countries and Information Asset and System owners to comply with the ICS RTF, policy and standards.

Monitoring

The risk assessment is performed by Group CISO to identify key ICS risks, breaches and weaknesses, and to ascertain the severity of the Risk posture.

The Risk postures of all businesses, functions and countries are consolidated to present a holistic Group-level ICS Risk posture for ongoing ICS Risk monitoring.

During these reviews, the status of each risk is assessed to identify any changes to materiality, impact and likelihood, which in turn affects the overall ICS Risk score and rating. Risks which exceed defined thresholds are reviewed with Group CISRO for approval and escalated to appropriate Group governance committees.

Monitoring and reporting on the ICS Risk Appetite profile ensures that performance which falls outside the approved Risk Appetite is highlighted and reviewed at the appropriate governance committee or authority levels and ensures that adequate remediation actions are in place where necessary.

Stress testing

The Group's cyber resilience testing approach entails:

- The Group CISRO is responsible for risk based, intelligence led, scenario driven assessments that simulate the actions of real-world cyber adversaries targeting the organisation. This layered testing approach is used to validate the effectiveness of the measures taken to prevent, detect and respond to cyber threats targeting our critical business.
- Group CISO is responsible for supporting control improvement and risk reduction by emulating cyber attacks to enhance the Group's cyber defence capabilities.

Compliance Risk

The Group defines Compliance Risk as the potential for penalties or loss to the Group or for an adverse impact to our clients, stakeholders or to the integrity of the markets which we operate in through a failure on our part to comply with laws or regulations.

Risk Appetite Statement

The Group has no appetite for breaches in laws and regulations related to regulatory non-compliance; recognising that whilst incidents are unwanted, they cannot be entirely avoided.

Roles and responsibilities

The Group Head, Conduct, Financial Crime and Compliance (Group Head, CFCC) as Risk Framework Owner for Compliance Risk provides support to senior management on regulatory and compliance matters by:

- providing interpretation and advice on CFCC regulatory requirements and their impact on the Group
- setting enterprise-wide standards for management of compliance risks through the establishment and maintenance of the Compliance Risk Type Framework (Compliance RTF)
- setting a programme for monitoring Compliance Risk.

The Compliance RTF sets out the Group's overall approach to the management of Compliance Risk and the roles and responsibilities in respect of Compliance Risk for the Group. All activities that the Group engages in must be designed to comply with the applicable laws and regulations in the countries in which we operate. The CFCC function is the second line that provides oversight and challenge of the first-line risk management activities that relate to Compliance Risk.

Where Compliance Risk arises, or could arise, from failure to manage another Principal Risk Type or sub-type, the Compliance RTF outlines that the responsibility rests with the respective Risk Framework Owner or control function to ensure that effective oversight and challenge of the first line can be provided by the appropriate second-line function.

Each of the assigned second-line functions has responsibilities including monitoring relevant regulatory developments from Non-Financial Services regulators at both Group and country levels, policy development, implementation, and validation as well as oversight and challenge of first-line processes and controls.

In addition, the Compliance RTF has been simplified in 2021 via rationalisation of the Compliance Risk types.

Mitigation

The CFCC function develops and deploys relevant policies and standards setting out requirements and controls for adherence by the Group to ensure continued compliance with applicable laws and regulations. Through a combination of standard setting, risk assessment, control monitoring and assurance activities, the Compliance Risk Framework Owner seeks to ensure that all policies are operating as expected to mitigate the risk that they cover. The installation of appropriate processes and controls is the primary tool for the mitigation of Compliance Risk. In this, the requirements of the Operational and Technology Risk Type Framework are followed to ensure a consistent approach to the management of processes and controls. Deployment of technological solutions to improve efficiencies and simplify processes has continued in 2021. These include further expansion of digital chatbots.

Governance committee oversight

At a management level, Compliance Risk and the risk of non-compliance with laws and regulations resulting from failed processes and controls are overseen by the respective Country, Business, Product and Function Non-Financial Risk Committees including the Risk and CFCC Non-Financial Risk Committee for CFCC owned processes. Relevant matters, as required, are further escalated to the Group Non-Financial Risk Committee and Group Risk Committee.

At Board level, oversight of Compliance Risk is primarily provided by the Audit Committee, and also by the Board Risk Committee for relevant issues.

While not a formal committee, the Compliance Risk Framework Owner has also established a CFCC Oversight Group to provide oversight of CFCC risks including the effective implementation of the Compliance RTF.

Decision-making authorities and delegation

The Compliance Risk Type Framework is the formal mechanism through which the delegation of Compliance Risk authorities is made. The Group Head, CFCC has the authority to delegate second-line responsibilities within the CFCC function to relevant and suitably qualified individuals.

Monitoring

The monitoring of controls designed to mitigate the risk of regulatory non-compliance in processes is governed in line with the Operational and Technology Risk Type Framework. The Group has a monitoring and reporting process in place for Compliance Risk, which includes escalation and reporting to Risk and CFCC Non-Financial Risk Committee, Group Non-Financial Risk Committee, Group Risk Committee, Board Risk Committee and Audit Committee, as appropriate.

Stress testing

Stress testing and scenario analysis are used to assess capital requirements for Compliance Risk and form part of the overall scenario analysis portfolio managed under the Operational and Technology Risk Type Framework. Specific scenarios are developed annually with collaboration between the business, which owns and manages the risk, and the CFCC function, which is second line to incorporate significant Compliance Risk tail events. This approach considers the impact of extreme but plausible scenarios on the Group's Compliance Risk profile.

Financial Crime Risk

The Group defines Financial Crime Risk as the potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to international sanctions, anti-money laundering, anti-bribery and corruption, and fraud.

Risk Appetite Statement

The Group has no appetite for breaches in laws and regulations related to financial crime, recognising that while incidents are unwanted, they cannot be entirely avoided.

Roles and responsibilities

The Group Head, CFCC has overall responsibility for Financial Crime Risk and is responsible for the establishment and maintenance of effective systems and controls to meet legal and regulatory obligations in respect of Financial Crime Risk. The Group Head, CFCC is the Group's Compliance and Money-Laundering Reporting Officer and performs the Financial Conduct Authority (FCA) controlled function and senior management function in accordance with the requirements set out by the FCA, including those set out in their handbook on systems and controls. As the first line, the business unit process owners have responsibility for the application of policy controls and the identification and measurement of risks relating to financial crime. Business units must communicate risks and any policy non-compliance to the second line for review and approval following the model for delegation of authority.

Mitigation

There are four Group policies in support of the Financial Crime Risk Type Framework:

- Group Anti-Bribery and Corruption Policy
- Group Anti-Money Laundering and Counter Terrorist Financing Policy
- Group Sanctions Policy
- Group Fraud Risk Management Policy.

The Group operates risk-based assessments and controls in support of its Financial Crime Risk programme, including (but not limited to):

- Group Risk Assessment - the Group monitors enterprise-wide Financial Crime Risks through the CFCC Risk Assessment process consisting of Financial Crime Risk and Compliance Risk assessments. The Financial Crime Risk assessment is a Group-wide risk assessment undertaken annually to assess the inherent Financial Crime Risk exposures and the associated processes and controls by which these exposures are mitigated.
- Financial Crime Surveillance – risk-based systems and processes to prevent and detect financial crime.

The strength of controls is tested and assessed through the Group's Operational and Technology Risk Type Framework, in addition to oversight by CFCC Assurance and Group Internal Audit.

Governance committee oversight

Financial Crime Risk within the Group is governed by the Group Financial Crime Risk Committee (GFCRC) and the Group Non-Financial Risk Committee (GNFRC) for Fraud Risk which is appointed by and reports into the Group Risk Committee.

Throughout the Group, the GFCRC is responsible for ensuring effective oversight for Operational Risk relating to Financial Crime Risk, while the GNFRC is responsible for ensuring effective oversight of Operational Risk relating to Non-Financial Risks including Fraud Risk. The Board appoints the Board Financial Crime Risk Committee to provide oversight on anti-bribery and corruption, anti-money laundering (and terrorist financing) and sanctions, and the Board Risk Committee for oversight on Fraud Risk. The committees provide oversight of the effectiveness of the Group's policies, procedures, systems, controls and assurance mechanisms designed to identify, assess, manage, monitor, detect or prevent money laundering, non-compliance with sanctions, bribery, corruption, internal/external fraud and tax crime by third parties.

Decision-making authorities and delegation

The Financial Crime Risk Type Framework is the formal mechanism through which the delegation of Financial Crime Risk authorities is made. The Group Head, CFCC is the Risk Framework Owner for Financial Crime Risk under the Group's Enterprise Risk Management Framework. Certain aspects of Financial Crime Compliance, second-line oversight and challenge, are delegated within the CFCC function. Approval frameworks are in place to allow for risk-based decisions on client onboarding, potential breaches of sanctions regulation or policy, situations of potential money laundering (and terrorist financing), bribery and corruption or internal and external fraud.

Monitoring

The Group monitors Financial Crime Risk compliance against a set of Risk Appetite metrics that are approved by the Board. These metrics are reviewed periodically and reported regularly to the Group Financial Crime Risk Committee, Group Non-Financial Risk Committee, Board Risk Committee and Board Financial Crime Risk Committee.

Stress testing

The assessment of Financial Crime vulnerabilities under stressed conditions or extreme events with a low likelihood of occurring is carried out through enterprise stress testing where scenario analysis is used to assess capital requirements for Financial Crime Risk as part of the overall scenario analysis portfolio managed under the Operational and Technology Risk Type Framework. Specific scenarios are developed annually with collaboration between the business, which owns and manages the risk, and the CFCC function, which is second line to incorporate significant Financial Crime Risk events. This approach considers the impact of extreme but plausible scenarios on the Group's Financial Crime Risk profile.

Model Risk

The Group defines Model Risk as potential loss that may occur as a consequence of decisions or the risk of mis-estimation that could be principally based on the output of models, due to errors in the development, implementation or use of such models.

Risk Appetite Statement

The Group has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models; whilst accepting model uncertainty.

Roles and responsibilities

The Global Head, Enterprise Risk Management is the Risk Framework Owner for Model Risk under the Group's Enterprise Risk Management Framework. Responsibility for the oversight and implementation of the Model Risk Type Framework is delegated to the Global Head, Model Risk Management.

The Model Risk Type Framework sets out clear accountability and roles for Model Risk management through a three lines of defence model. First-line ownership of Model Risk resides with Model Sponsors, who are the business or function heads and assign a Model Owner for each model. Model Owners mainly represent model developers and users, and are responsible for end-to-end model development, ensuring model performance through regular model monitoring, and communicating model limitations, model assumptions and risks. Model Owners also coordinate the submission of models for validation and approval and ensure appropriate model implementation and use. Second-line oversight is provided by Model Risk Management, which comprises Group Model Validation and Model Risk Policy and Governance.

Group Model Validation independently reviews and grades models, in line with design objectives, business uses and compliance requirements, and highlights identified model risks by raising model related issues. The Model Risk Policy and Governance team provides oversight of Model Risk activities, performing regular Model Risk Assessment and risk profile reporting to senior management.

Mitigation

The Model Risk policy and standards define requirements for model development and validation activities, including regular model performance monitoring. Any model issues or deficiencies identified through the validation process are mitigated through the application of model monitoring, model overlays and/or a model redevelopment plan, which undergo robust review, challenge and approval. Operational controls govern all Model Risk-related processes, with regular risk assessments performed to assess appropriateness and effectiveness of those controls, in line with the Operational and Technology Risk Type Framework, with remediation plans implemented where necessary.

Governance committee oversight

At Board level, the Board Risk Committee exercises oversight of Model Risk within the Group. At the executive level, the Group Risk Committee has appointed the Model Risk Committee to ensure effective measurement and management of Model Risk. Sub-committees such as the Credit Model Assessment Committee and Traded Risk Model Assessment Committee oversee their respective in-scope models and escalate material Model Risks to the Model Risk Committee. In parallel, business and function-level risk committees provide governance oversight of the models used in their respective processes.

Decision-making authorities and delegation

The Model Risk Type Framework is the formal mechanism through which the delegation of Model Risk authorities is made.

The Global Head, Enterprise Risk Management delegates authorities to designated individuals or Policy Owners through the RTF. The second-line ownership for Model Risk at country level is delegated to Country Chief Risk Officers at the applicable branches and subsidiaries.

The Model Risk Committee is responsible for approving models for use. Model approval authority is also delegated to the Credit Model Assessment Committee, Traded Risk Model Assessment Committee and individual designated model approvers for less material models.

Monitoring

The Group monitors Model Risk via a set of Risk Appetite metrics that are approved by the Board. Adherence to Model Risk Appetite and any threshold breaches are reported regularly to the Board Risk Committee, Group Risk Committee and Model Risk Committee. These metrics and thresholds are reviewed on an annual basis to ensure that threshold calibration remains appropriate and the themes are adequately covering the current risks.

Models undergo regular monitoring based on their level of perceived Model Risk, with monitoring results and breaches presented to Model Risk Management and delegated model approvers.

Model Risk Management produces Model Risk reports covering the model landscape, which include performance metrics, identified model issues and remediation plans. These are presented for discussion at the Model Risk governance committees on a regular basis.

Stress testing

Models play an integral role in the Group's stress testing and are rigorously user-tested to ensure that they are fit-for-use under stressed market conditions. Compliance with Model Risk management requirements and regulatory guidelines are also assessed as part of each stress test, with any identified gaps mitigated through model overlays and defined remediation plans.

Reputational and Sustainability Risk

The Group defines Reputational and Sustainability Risk as the potential for damage to the franchise (such as loss of trust, earnings or market capitalisation), because of stakeholders taking a negative view of the Group through actual or perceived actions or inactions, including a failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm through our client, third-party relationships or our own operations.

Risk Appetite Statement

The Group aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight. This includes a potential failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm.

Sustainability Risk continues to be an area of growing importance, driving a need for strategic transformation across business activities and risk management to ensure that we uphold the principles of Responsible Business Conduct and continue to do the right thing for our stakeholders, the environment and affected communities. Throughout 2021, we have laid the foundation to integrate Sustainability Risk management for clients, third parties and our operations and continued to invest in infrastructure and technology to keep pace with emerging environmental, social and governance (ESG) regulatory obligations and accelerating commitments across our markets.

Roles and responsibilities

The Global Head, Enterprise Risk Management is the Risk Framework Owner for Reputational and Sustainability Risk under the Group's Enterprise Risk Management Framework.

The responsibility for Reputational and Sustainability Risk management is delegated to Reputational and Sustainability Risk Leads in ERM as well as Chief Risk Officers at region, country and client-business levels. They constitute the second line of defence, overseeing and challenging the first line of defence, which resides with the Chief Executive Officers, Business Heads, Product Heads and Function Heads in respect of risk management activities of reputational and sustainability-related risks respectively. The Environmental and Social Risk Management team (ESRM), which is in the first line of defence, also provides dedicated support on the management of environmental and social risks and impacts arising from the Group's client relationships and transactions.

Mitigation

In line with the principles of Responsible Business Conduct and Do No Significant Harm, the Group deems Reputational and Sustainability Risk to be driven by:

- negative shifts in stakeholder perceptions due to decisions related to clients, products, transactions, third parties and strategic coverage
- potential material harm or degradation to the natural environment (environmental) through actions/inactions of the Group
- potential material harm to individuals or communities (social) risks through actions/inactions of the Group.

The Group's Reputational Risk policy sets out the principal sources of Reputational Risk driven by negative shifts in stakeholder perceptions as well as responsibilities, control and oversight standards for identifying, assessing, escalating and effectively managing Reputational Risk. The Group takes a structured approach to the assessment of risks associated with how individual client, transaction, product and strategic coverage decisions may affect perceptions of the organisation and its activities, based on explicit principles including, but not limited to gambling, defence and dual use goods. Whenever potential for stakeholder concerns is identified, issues are subject to prior approval by a management authority commensurate with the materiality of matters being considered. Such authorities may accept or decline the risk or impose conditions upon proposals, to protect the Group's reputation.

The Group's Sustainability Risk policy sets out the requirements and responsibilities for managing environmental and social risks for the Group's operations, clients and third parties, as guided by various industry standards such as the OECD's Due Diligence Guidance for Responsible Business Conduct, Equator Principles, UN Sustainable Development Goals and the Paris Agreement.

Through our operations, the Group seeks to minimise its impact on the environment and have targets to reduce energy, water and waste. Clients are expected to adhere to minimum regulatory and compliance requirements, including criteria from the Group's Position Statements. Suppliers must comply with the Group's Supplier Charter which sets out the Group's expectations on ethics, anti-bribery and corruption, human rights, environmental, health and safety standards, labour and protection of the environment.

Governance committee oversight

At Board level, the Culture and Sustainability Committee provides oversight for our Sustainability strategy while the Board Risk Committee oversees Reputational and Sustainability Risk as part of the ERMF. The Group Risk Committee (GRC) provides executive-level committee oversight and delegates the authority to ensure effective management of Reputational and Sustainability Risk to the Group Responsibility and Reputational Risk Committee (GRRRC).

The GRRRC's remit is to:

- Challenge, constrain and, if required, stop business activities where risks are not aligned with the Group's Risk Appetite.
- Make decisions on Reputational Risk matters assessed as high or very high based on the Group's primary Reputational Risk materiality assessment matrix, and matters escalated from the regions or client businesses.
- Provide oversight of material Reputational Risk and/or thematic issues arising from the potential failure of other risk types.
- Oversee Sustainability Risk management of the Group.

The Sustainable Finance Governance Committee, appointed by the GRRRC provides leadership, governance and oversight for delivering the Group's sustainable finance offering. This includes:

- Reviewing and supporting the Group's frameworks for Green and Sustainable Products, and Transition Finance for approval of GRRRC. These frameworks set out the guidelines for approval of products and transactions which carry the sustainable finance and/or transition finance label.
- Decision-making authority on the eligibility of a sustainable asset for any risk-weighted assets (RWA) relief.

The Group Non-Financial Risk Committee has oversight of the control environment and effective management of Reputational Risk incurred when there are negative shifts in stakeholder perceptions of the Group due to failure of other PRTs. The regional and client-business risk committees provide oversight on the Reputational and Sustainability Risk profile within their remit. The Country Non-Financial Risk Committee (CNFRC) provides oversight of the Reputational and Sustainability Risk profile at a country level.

Decision-making authorities and delegation

The Reputational and Sustainability RTF is the formal mechanism through which the delegation of Reputational and Sustainability Risk authorities is made. The Global Head, Enterprise Risk Management delegates risk acceptance authorities for stakeholder perception risks to designated individuals in the first line and second line or to committees such as the GRRRC via risk authority matrices.

These risk authority matrices are tiered at country, regional, business segment or Group levels and are established for risks incurred in strategic coverage, clients, products or transactions. For environmental and social risks, the ESRM must review and support the risk assessments for clients and transactions and escalate to the Reputational and Sustainability Risk leads as required.

Monitoring

Reputational and Sustainability Risk policies and standards are applicable to all Group entities. However, local regulators in some markets may impose additional requirements on how banks manage and track Reputational and Sustainability Risk. In such cases, these are complied with in addition to Group policies and standards.

Exposure to stakeholder perception risks arising from transactions, clients, products and strategic coverage are monitored through established triggers outlined in risk materiality matrices to prompt the right levels of risk-based consideration by the first line and escalations to the second line where necessary. Risk acceptance decisions and thematic trends are also being reviewed on a periodic basis.

Exposure to Sustainability Risk is monitored through triggers embedded within the first-line processes where environmental and social risks are considered for clients and transactions via the Environmental and Social Risk Assessments, and considered for vendors in our supply chain through the Modern Slavery questionnaires.

In 2021, we have approved new Risk Appetite metrics for Environmental and Social risks as well as managing modern slavery risks in our supply chain.

Stress testing

Reputational Risk outcomes are taken into account in enterprise stress tests and incorporated into the Group's stress testing scenarios. For example, the Group might consider what impact a hypothetical event leading to loss of confidence among liquidity providers in a particular market might have, or what the implications might be for supporting part of the organisation in order to protect the brand. As Sustainability Risk continues to evolve as an area of emerging regulatory focus with various markets developing ESG regulatory guidance, we are keeping pace with external developments to enable us to explore meaningful scenario analysis with the aim of advancing Reputational and Sustainability Risk management.

Climate Risk

The Group recognises Climate Risk as an Integrated Risk Type. Climate Risk is defined as the potential for financial loss and non-financial detriments arising from climate change and society's response to it.

Risk Appetite Statement

The Group aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to our own activities and those related to the financing of clients in alignment with the Paris Agreement.

Climate Risk has been recognised as an emerging risk since 2017 and was elevated to an Integrated Risk Type (previously known as material cross-cutting risk) within the ERMF, our central risk framework in 2019. We have introduced Climate Risk into mainstream risk management in alignment with the Bank of England's Supervisory Statement 3/19 requirements and in 2021 greatly improved our scenario analysis and stress testing abilities to deliver the 2021 Climate Biennial Exploratory Scenario (CBES). However, it is still a relatively nascent risk area which will mature and stabilise over the years to come.

Roles and responsibilities

The three lines of defence model as per the Enterprise Risk Management Framework applies to Climate Risk. The Group Chief Risk Officer (GCRO) has the ultimate second-line and senior management responsibility for Climate Risk. The GCRO is supported by the Global Head, Enterprise Risk Management who has day-to-day oversight and central responsibility for second-line Climate Risk activities. As Climate Risk is integrated into the relevant Principal Risk Types (PRTs), second-line responsibilities lie with the Risk Framework Owner (at Group, regional and country level), with subject matter expertise support from the central Climate Risk team.

Mitigation

As an Integrated Risk Type manifests through other PRTs, risk mitigation activities are specific to individual PRTs. The Group has undertaken initial development and integration of Climate Risk into PRT processes. Climate Risk assessments are considered as part of Reputational and Sustainability transaction reviews for clients and transactions in high carbon sectors. We have directly engaged with clients on their adaptation and mitigation plans using client level Climate Risk questionnaires and a first phase of integration into the credit decisioning process is under way for CCIB Credit Risk. As part of quarterly credit portfolio reviews in CPBB, physical risk assessments for the residential mortgage portfolios are also being monitored for concentration levels. Within Traded Risk, a physical risk scenario is now part of their stress testing framework while the focus for Operational and Technology Risk has been on Resilience and Third-Party Risk management. Relevant policies and standards across PRTs have been updated to factor in Climate Risk considerations and a focus area in 2022 will be to deliver the implementation of these requirements.

Governance committee oversight

Board-level oversight is exercised through the Board Risk Committee (BRC), and regular Climate Risk updates are provided to the Board and BRC. At the executive level, the Group Risk Committee oversees implementation of the Climate Risk workplan. The GCRO has also appointed a Climate Risk Management Forum consisting of senior representatives from the business, risk, strategy and other functions such as sustainability and legal. The Climate Risk Management Forum meets quarterly to discuss development and implementation of the Climate Risk workplan, and to provide structured governance around engagement with the relevant PRTs impacted by Climate Risk. Through 2022, we will strengthen country and regional governance oversight for the Climate Risk profile across our key markets.

Tools and methodologies

Applying existing risk management tools to quantify Climate Risk is challenging given inherent data and methodology challenges, including the need to be forward-looking over long time horizons. To quantify climate physical and transition risk we leverage and have invested in a number of areas, including tools and partnerships:

- Munich Re – we are using Munich Re's physical risk assessment tool, which is built on extensive re-insurance experience.
- Baringa Partners – we are using Baringa's flagship climate models to understand climate scenarios, and compute transition risk and temperature alignment.
- Standard & Poor – we are leveraging S&P and Trucost's wealth of climate data covering asset locations, energy mixes and emissions.
- Imperial College – we are leveraging Imperial's academic expertise to advance our understanding of climate science, upskill our staff and senior management, and progress the state of independent research on climate risks with an acute focus on emerging markets.

Decision-making authorities and delegation

The Global Head, Enterprise Risk Management is supported by a centralised Climate Risk team within the ERM function. The Global Head, Climate Risk and Net Zero Oversight is responsible for ensuring and executing the delivery of the Climate Risk workplan which will define decision-making authorities and delegations across the Group.

Monitoring

The Climate Risk Appetite Statement is approved and reviewed annually by the Board.

The Group has developed its first-generation Climate Risk reporting and Management Team level Risk Appetite metrics. The first version of these metrics was shared with the relevant committees as part of the Group Risk Information Report and Board Risk Information Report, respectively, in September 2021. Going forward, these will be included in the Group and Board risk reports quarterly, and management information is also being progressively rolled out at the regional and country level.

Stress testing

Climate Risk intensifies over time, and future global temperature rises depend on today's transition pathway. Considering different transition scenarios is crucial to assessing Climate Risk over the next 10, 20 and 50 years. Stress testing and scenario analysis are used to assess capital requirements for Climate Risk and since 2020, physical and transition risks have been included in the Group Internal Capital Adequacy Assessment Process (ICAAP). In 2021, we undertook a number of Climate Risk stress tests, including by the Hong Kong Monetary Authority and the Bank of England's Climate Biennial Exploratory Scenario (CBES). This required significant client engagement and helped grow our understanding and management of Climate Risk.

In 2022, the Group intends to develop management scenarios, strengthening business strategy and financial planning and supporting the Group's net zero journey.

+ Details on the Group's Taskforce on Climate-related Financial Disclosures can be found on **sc.com/tcfd**

Emerging risks

In addition to our Principal Risk Types that we manage through Risk Type Frameworks, policies and Risk Appetite, we also maintain an inventory of emerging risks. Emerging risks refer to unpredictable and uncontrollable events with the potential to materially impact our business. These include near-term risks that are on the horizon and can be measured or mitigated to some extent, as well as longer-term uncertainties that are on the radar but not yet fully measurable.

In 2021, we undertook a thorough review of our Emerging Risks, using the approach described in the Enterprise Risk Management Framework[1] section (page 258 to 263). The key results of the review are detailed below.

Key changes to our emerging risks:

The following items have been removed as emerging risks:

- 'Middle East geopolitical tensions' – The risk has been removed as the immediate impact to the Group's credit portfolio is manageable
- 'Interbank Offered Rate discontinuation and transition' – This risk has been removed given the Group has a well-established global IBOR Transition Programme to consider all aspects of the transition and how risks from the transition can be mitigated

The following items have been amended or added as new emerging risks:

- 'Crystallisation of inflation fears' – Interest rates have already increased or are likely to rise in several countries as central banks respond to inflationary pressure. Drivers of price increases include shortages of materials and labour, increased demand as economic recoveries take hold and long-term monetary stimulus, with growing acceptance that the inflationary shock will last longer than initially expected
- 'Energy security' – Increased industrial demand and accelerated transitions to cleaner energy sources have put a strain on supply lines. This has increased tensions between nations as power shifts towards energy exporters, and energy security becomes questionable across developed markets and emerging markets alike. A lack of investment by oil producers as we transition could also lead to an increase in oil prices in the short term
- 'Supply chain dislocations' – Global supply chains have been disrupted both by COVID-19 lockdowns and deglobalisation. As economies recover there are shortages in some key source materials and delivery delays which are affecting many industries' ability to meet the rapid increase in demand
- 'Expanding stakeholder expectations for environmental, social and corporate governance (ESG)' – Added as an emerging risk to reflect the broader sustainability agenda of the Group and capture ESG concerns beyond Climate Risk such as biodiversity loss and depletion of natural resources, which are increasing areas of focus for regulators, investors and non-governmental organisations. The speed of transition to meet the requirements could be faster in developed markets
- 'Expanding array of global tensions' – Expanded to cover a proliferation of global political and economic agenda items that create disruption and potential flashpoints between countries. These are reshaping global political alliances and disrupting traditional economic corridors
- 'Adapting to endemic COVID-19 and a K-shaped recovery' – Encapsulates the shift towards living with COVID-19 and what the new post-COVID normal will look like. Varying vaccination rates and levels of economic stimulus have widened the recovery gap and threaten a K-shaped global recovery, where countries or sectors recover at different rates depending on their ability to adapt to a post-COVID world
- 'New business structures, channels and competition' – Reflects the linkage between the Group's increasing reliance on partnerships and alliances in exploring new technologies and digital enhancement, and the heightened risks that are intrinsically linked to such activities. Digital assets are also covered within this emerging risk
- 'Talent pools of the future' – Expanded to consider the risks of widening skills gaps and shifting expectations of the future workforce, beyond just the practical challenges of increased remote working

Our list of emerging risks, based on our current knowledge and assumptions, is set out below, with our subjective assessment of their impact, likelihood and velocity of change. This reflects the latest internal assessment of material risks that the Group faces as identified by senior management. This list is not designed to be exhaustive and there may be additional risks which could materialise or have an adverse effect on the Group.

Our mitigation approach for these risks may not eliminate them but shows the Group's attempt to reduce or manage the risk. As certain risks develop and materialise over time, management will take appropriate steps to mitigate the risk based on its impact on the Group.

1 The Group's Risk Management Framework and System of Internal Control applies only to wholly controlled subsidiaries of the Group, and not to Associates, Joint Ventures or Structured Entities of the Group.

Geopolitical considerations (Risk ranked according to severity)

Emerging risk	Risk trend since 2020[1]	Context	How these are mitigated/next steps
Expanding array of global tensions[2] Potential impact: **High** Likelihood: **Medium** Velocity of change: **Moderate**	↑	• Relations between China and the West remain fragile. The US and China are engaged in a security competition that has ramifications across many aspects of their complex interdependencies • There has also been increasing volatility within China, with turbulence in the property development sector and targeted legislation for specific industries such as education, technology and real estate, which could have spillover effects into other markets given the size of China's economy • Tensions are also increasing regarding Russia's presence on the Ukrainian border. Although the Group's exposure to the region is limited, the potential impact on the rest of the world from economic or military action could be significant, and cause further fractures between East and West • In addition, tensions are rising between historic allies within NATO and the G7, around flashpoints such as the withdrawal from Afghanistan, the launch of AUKUS, and tensions on the Korean peninsula. These may intensify with elections due in some major countries in 2022 • Areas of collaboration exist – such as agreements made at the COP26 climate summit – but there are a number of issues that remain, including public health and safety, trade, national security, sovereignty, and territorial disputes • A focus on domestic recovery in the wake of COVID-19 has led to protectionist policies and disruption to global supply chains • Some governments have used the pandemic as an opportunity to consolidate power, which could lead to further tension and potential retaliatory actions • Increased demand has created shortages in some key sectors, such as electronics and energy, which could tip the balance of power towards producers. Investment in local technological infrastructure has become a key focus to reduce dependence on external counterparties and ensure national security • The Group, with its notable exposure and presence in China, faces a high risk of being caught in the crossfire of escalating geopolitical tensions between the East and West • The Group also derives significant revenues from supporting cross-border trade and material offshore support operations	• Sharp slowdowns in the US, China, and more broadly, world trade and global growth are a feature of Group stress scenarios. These stress tests provide visibility to key vulnerabilities so that management can implement timely interventions • Detailed portfolio reviews are conducted on an ongoing basis, most recently regarding increasing tensions around Ukraine, and action is taken where necessary • The Group is closely monitoring the China–G7 relationship and assessing the impact on our business with teams in the first and second line of defence • The Group remains vigilant in monitoring geopolitical relationships • Increased scrutiny is applied when onboarding clients in sensitive industries and in ensuring compliance with sanctions requirements
Energy security Potential impact: **High** Likelihood: **Medium** Velocity of change: **Fast**	↑	• Increased demand for energy, bottlenecks in the production of renewables and pressure to accelerate the transition to new clean sources are driving an emerging energy supply shortage, causing price inflation and exacerbating disruptions in global supply chains • Emerging markets which rely on imports of energy risk being disadvantaged due to the massive energy needs required to develop • Developed nations also face a trade-off, as pressure to adopt clean energy has constrained their ability to rely on traditional sources to meet demand, likely leading to significant price volatility until production capacity for renewable sources is sufficient to meet the energy gap • There are increasing geopolitical tensions as the balance of power shifts towards energy exporters. The reluctance of some nations to commit to climate goals also adds to pressure for a global transition, and the political advantage accruing to traditional oil-producing nations may further complicate the goals of a net zero economy • Lack of investment by oil producers as we transition could also lead to an increase in oil prices in the short term	• As part of our stress tests, an oil shock scenario was developed • Sovereign ratings, outlooks and country risk limits are regularly monitored with periodic updates to senior stakeholders • The Group is implementing a Climate Risk workplan and aims to embed climate risks across all relevant principal risks in 2022. This includes scenario analysis and stress testing capability to understand financial risks and opportunities from climate change

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

2 This theme was previously covered under 'US–China trade tensions driven by geopolitics and trade imbalance'

Macroeconomic considerations (Risk ranked according to severity)

Emerging risk	Risk trend since 2020	Context	How these are mitigated/next steps
Crystallisation of inflation fears[3] Potential impact: **High** Likelihood: **High** Velocity of change: **Moderate**		• In the second part of 2021, several key developed economies experienced rates of inflation that far exceeded central bank forecasts. Several central banks have acknowledged their surprise and altered their stance on monetary policy, starting to raise rates or signalling their willingness to do so • There is a risk that the confluence of supply and demand pressures could have effects on inflation that are longer-lasting than expected • The easing of COVID-19 restrictions has created a demand surge in developed market economies that have reopened, and labour supply shortages have compounded price pressures • There is still a lack of firm consensus within the industry on some key inflation questions, such as whether it is transitory or unlikely to ease in the near future, caused by excess demand or limited supply, and whether it is limited to specific industries or a general problem for the economy. Rising interest rates also introduce a risk of stagflation in 2022 where economic growth is muted but inflation persists • It is possible that monetary policy tightening in Western countries could lead to a depreciation in emerging markets currencies versus the US dollar, increasing debt refinancing costs for emerging market economies. Sharp increases in the price of energy and agricultural products also pose risks to emerging markets that will face higher import costs, feeding into higher domestic inflation • The prices of risky financial assets have been artificially supported through the crisis following multi-trillion dollar central bank asset purchases and record low interest rates. As fiscal and monetary support is withdrawn and countries start to raise interest rates, there is an elevated risk of widespread price corrections	• As part of our stress tests, a severe stress in the global economy associated with a sharp slow-down was assessed • Both Group-wide management and Traded Risk scenarios are being developed to examine the impact of a rapid build-up in inflationary pressures around the world • Sovereign ratings, outlooks and country risk limits are regularly monitored with periodic updates to senior stakeholders
Adapting to endemic COVID-19 and a K-shaped recovery[4,5] Potential impact: **High** Likelihood: **High** Velocity of change: **Moderate**		• Countries with high vaccination rates are moving towards accepting COVID-19 as endemic. Nevertheless, domestic policies on managing the spread of the virus differ vastly among nations, and the longer-term impacts (including health and mental wellbeing) are still uncertain • The effectiveness of vaccines is confirmed to diminish after several months, thus the policy response to new waves of infection or new variants tends to quickly revert to forms of restriction, including lockdowns, as seen with the recent Omicron variant • COVID-19 continues to disrupt economies, however another notable emerging effect is on politics. The COVID-19 theme is increasingly inter-woven with both domestic social unrest and the geopolitical agenda • Differences in the pace and scale of vaccine rollouts and disparities in financial resources have widened the recovery gap and threaten a K-shaped global recovery, where countries or sectors recover at a different rate depending on their ability to adapt to a post-COVID world • Emerging markets have lagged behind in their ability to combat the pandemic which may result in longer-term economic scarring. There has been limited fiscal stimulus for the third world, and short-term support may take precedence over longer-term structural transformation, which is especially relevant for the Group's footprint • Deeper structural transformations of traditional economic systems are being observed. A shift in priorities, particularly among younger generations, may lead to fundamental changes in the workforce, including a permanent drop in the labour supply and a desire to move away from traditional industries. Vaccine mandates are causing domestic tensions, and may lead to labour shortages in some states or industries • There is a risk that further variants or other diseases may emerge	• As part of our stress tests, a severe stress in the global economy associated with a sharp slow-down was assessed • Sensitive sectors (e.g. aviation and hospitality) are regularly reviewed and exposures to these sectors are actively managed as part of Credit Risk reviews • Exposures that could result in material credit impairment charges and risk weighted asset inflation under stress tests are regularly reviewed and actively managed • The Group's priority remains the health and safety of our clients and employees and continuation of normal operations by leveraging our robust Business Continuity Plans which enable the majority of our colleagues to work remotely where possible

3 This theme was previously covered under 'Unintended consequences of accommodative monetary policy and the risk of asset bubbles and inflation'

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

5 This theme was previously covered under 'The COVID-19 outbreak and the emergence of new diseases'

Emerging risk	Risk trend since 2020	Context	How these are mitigated/next steps
Supply chain dislocations[6] Potential impact: **High** Likelihood: **Medium** Velocity of change: **Moderate**	↑	• The emergence of supply chain disruptions can be attributed to a combination of demand and supply factors, some of which may prove to be transitory while others remain more entrenched. A key risk is that supply chain disruptions raise inflation expectations on a sustained basis, prompting central banks to tighten monetary policy • Pandemic-related changes, such as a surge in demand for electronics and furniture, has resulted in a rundown of inventories. Furthermore, the shift towards online shopping tends to be more import intensive and Asia-focused, thereby exacerbating shipping backlogs • Severe weather events have caused a reduction in supplies of natural gas and some agricultural products. Supply of goods such as semi-conductors has also been hampered by labour lockdowns and shortages, licensing regulations and backlogs at ports • As well as disruption to existing chains, there may be a fundamental shift in the supply chains in the future. Companies may be required to set up parallel supply chains as contingencies, as well as moving production closer to the end user. Some of this may also be mandated by protectionist policies which drive fragmentation for strategic industries	• Exposures that may result in material credit impairment and increased risk-weighted assets are closely monitored and actively managed • Sectors which exhibit high supply chain pressure and vulnerability (e.g. electronics) are regularly reviewed and exposures to these sectors are actively managed as part of Credit Risk reviews • We actively utilise Credit Risk mitigation techniques including credit insurance and collateral
Emerging markets sovereign risk[7] Potential impact: **Medium** Likelihood: **Medium** Velocity of change: **Moderate**	‹›	• COVID-19, and the response to it, have exacerbated already deteriorating market conditions, causing liquidity and potentially solvency issues for a number of the world's poorest countries • Declining government revenue combined with higher spending, has raised government deficits and debt to unprecedented levels across all country income groups • Several emerging markets have seen negative sovereign rating and country risk limit actions, reflecting the higher level of sovereign risk as compared to pre-pandemic levels • 48 countries have requested participation in the G20 Debt Service Suspension Initiative (DSSI), while three countries (Zambia, Ethiopia, Chad) have requested debt restructuring as part of the Common Framework beyond DSSI • A sharp tightening of financial conditions, possibly triggered by a rise in bond yields in advanced economies or a deterioration in global risk sentiment, could push up debt-servicing costs for emerging markets	• Exposures that may result in material credit impairment and increased risk-weighted assets are closely monitored and actively managed • We 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 actively utilise Credit Risk mitigation techniques including credit insurance and collateral • We actively track the participation of our footprint countries in G20's Common Framework Agreement and Debt Service Suspension Initiative for Debt Treatments and the associated exposure

6 This theme was previously covered under 'Rise of populism and nationalism driven by unemployment and a shift in global supply chains'

7 This theme was previously covered under 'Rising sovereign default risk and private sector creditor participation in the Common Framework Agreement'

Environmental and social considerations (Risk ranked according to severity)

Emerging risk	Risk trend since 2020[1]	Context	How these are mitigated/next steps
Expanding stakeholder expectations for environmental, social and corporate governance (ESG) Potential impact: **High** Likelihood: **High** Velocity of change: **Fast**	↑	• There are risks if the Group is unable to adapt to new regulation quickly, as well as meeting publicly stated sustainability goals and helping clients transition • Environmental targets are being incorporated into many countries' domestic policy, with increased pressure to set ambitious sustainability goals. However, complexity remains in driving sustainability across diverse markets which prioritise topics differently • Climate change is a factor in biodiversity loss, pollution and depletion of resources. This poses a risk to food and health systems, energy security and the disruption of supply chains. Understanding of other environmental risks remains limited • Sustainable Finance and Climate Risk continue as a core focus of regulatory policy making across all jurisdictions, enhanced by COP26-related initiatives. Corporations are expected to incorporate environmental risks and sustainability in their business models. This exposes the Group to transition risks and emerging themes in regulatory compliance • Disclosure requirements are increasing each year as regulators and other stakeholders require greater transparency. There is a clear trend toward mandatory disclosures with developed markets leading the way. We expect the regulatory focus to gradually expand beyond climate to other environmental risks. There is risk of fragmentation of requirements across regions over time • The speed of transition to meet requirements could be faster for UK entities than those in emerging markets, and we are already observing fragmentation in the pace and scale of adoption around the world • Banks are already making commercial decisions on account of emissions and lack of credible reduction targets. At the same time, companies are being celebrated for progress around reducing emissions despite the presence of other social and governance risks – highlighting a tension between Environmental and Social risk assessments. This 'carbon-tunnel-vision', combined with increasing fragmentation in ESG taxonomies, may lead to unintended consequences • The COVID-19 pandemic, climate change and geopolitical risk have underscored the importance of supply chain transparency. This is creating pressure to expand supply chain metrics to include greater visibility around human rights issues, carbon emissions and governance factors	• We remain committed to being a responsible bank, minimising our environmental impact and embedding our values through our strengthened Position Statements for sensitive sectors and a list of Prohibited Activities that the Group will not finance • We are 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 resilience to climate-related risks in line with local regulatory requirements • The Group has announced our net zero pathway and specific emission reduction targets for carbon sensitive sectors. The Group's TCFD report includes more details on Climate Risk and net zero • Our Green and Sustainable Product Framework, developed with the support of Sustainalytics, has been informed by industry and supervisory principles and standards such as the Green Bond Principles and EU Taxonomy for sustainable activities • We have defined three Stands to use our unique ability to work across boundaries and connect capital, people, ideas and best practices to help address some key socioeconomic challenges and enable a just transition • We are developing an approach to further integrate ESG risk management across the ERMF + Read more about our position statements: **sc.com/positionstatements** → See **pages 455 and 456** for a full list of our 2022 Sustainability Aspirations
Social unrest[8] Potential impact: **Medium** Likelihood: **Medium** Velocity of change: **Moderate**	↓	• Governmental restrictions on movement as a result of the COVID-19 pandemic, combined with longer-term trends of resurgent nationalism and ideology, have heightened existing social tensions • Vaccine mandates are causing domestic tensions and may lead to labour shortages in some states or industries such as healthcare and aviation. There have also been tensions in some markets where lockdowns have been reintroduced despite higher vaccination rates • In addition, COVID-19 has continued to exacerbate economic equality, including reducing the availability or quality of work. Collectively, these issues have given rise to societal disturbances in a number of markets. There have also been thematic disturbances connected to a common cause such as Black Lives Matter, or climate protests around high-profile events such as the COP26 climate summit • Longer-term impacts of climate change may force mass relocation in some areas which could heighten local tensions	• The Group is committed to managing human rights impacts through our social safeguards in our Position Statements • The Human Rights Working Group has developed 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

8 This theme was previously covered under 'Social unrest driven by economic downturns, water crises, medical provision and food security'

Technological considerations (Risk ranked according to severity)

Emerging risk	Risk trend since 2020[1]	Context	How these are mitigated/next steps
Data and digital[9] Potential impact: **High** Likelihood: **High** Velocity of change: **Moderate**	↑	• Regulatory requirements and client expectations are increasing in areas such as data management, data protection and data sovereignty and privacy, including the ethical use of data and artificial intelligence • The Group, as well as the industry, continues to face challenges to keep pace with the volume of data related regulatory change. Regulatory drivers such as BCBS 239's requirements on effective risk data aggregation and risk reporting require enhanced controls over data lineage and quality. There has been increased use of powers afforded under data legislation by regulators to impose punitive fines or to demand data disclosures. Regulatory drivers and requirements vary by market, and the risk of fragmentation of requirements across our markets is growing over time • There are increased bilateral geopolitical disputes, prompting some governments to issue data sovereignty legislation, in some cases extraterritorial in nature, which may impact Group processes. In some instances there is conflicting guidance from different regulatory authorities within the same jurisdiction • Rapid adoption of new technologies such as Big Data requires that we need to determine how the Group's Data Management Policies, Standards and Controls are updated and applied • As information assumes an increasingly fundamental role and the migration to Cloud infrastructure continues, data is becoming concentrated in the hands of governments and large private companies. Data related risks need to be continuously gauged to ensure Group processes and controls are effective • There is an increasing trend of highly organised threat actors, both state sponsored and through organised crime. Tactics are becoming more sophisticated and attacks more targeted over time. New techniques and developments of weapons such as ransomware are available as a service, reducing the cost of complex attack methods • Increasing connectivity is driving growth and new technologies, but also increasing the Group's cyber-attack surface and possible entry points for cyber criminals	• The Group accepts invitations from its regulators to lead on specific data and artificial intelligence (AI) related industry consultations. The Group also actively works with AI industry bodies to help influence AI regulations • The Group actively monitors, both in house and through external counsel, regulatory developments in relation to data management, including records management, data protection and privacy, data sovereignty and AI • The Group has further embedded the existing risk control framework for data management risks, which has strengthened and streamlined risk oversight • Given the growth of AI tools and the inherent risks, the deployment and release into Group operational processes is monitored through an AI Council • Controls from the cyber and cloud domains are leveraged for data management risks where appropriate • The Group established a dedicated Data and Privacy Operations team and mobilised a Group-wide transformation programme to build data management capabilities and expertise to ensure compliance with data management regulations • We have an inflight programme of work to drive compliance to BCBS 239 requirements on effective risk data aggregation and risk reporting • We continue to deliver new controls and capabilities to increase our ability to identify, detect, protect and respond to ICS threats

9 This theme was previously covered under 'Increased data privacy and security risks from strategic and wider use of data'

Emerging risk	Risk trend since 2020[1]	Context	How these are mitigated/next steps
New business structures, channels and competition[10] Potential impact: **High** Likelihood: **High** Velocity of change: **Fast**	↑	• There is increasing usage of partnerships and alliances by banks to respond to disruption and changes to the industry, particularly from new technologies. Thus partnerships and alliances are integral to banks' emerging business models and value proposition to clients. However, this also exposes the banks to third-party risks. There are also new business models such as Revenue Sharing Partnerships that present new risks and due diligence considerations • Technological advances such as AI, Machine Learning (ML) and cloud-based systems are creating new opportunities but also bringing new challenges. There is also a risk that failure to expediently adapt and harness such technologies would place the Group at a competitive disadvantage • As new technologies grow in sophistication and become further embedded across the banking and financial services industry, banks may become more susceptible to technology-related risks. Banks may also face increased risks of business model disruption as new products and technologies continue to emerge. There is also potential for inadequate risk assessment for new and unfamiliar activities • The health and social impact of COVID-19, the economic fallout and associated increased cyber threats have impacted companies globally, resulting in significant pressure on the financial health and security of suppliers, vendors and other third parties that the Group relies on • A remote workforce introduces new vulnerabilities which were easier to manage in an office environment. Particular focus should be given to highly privileged or high-risk roles • The Group is subject to significant competition from local banks and other international banks in the markets in which it operates, including competitors that may have greater financial and other resources. In addition, the Group may experience increased competition from new entrants such as fintechs delivering digital-only banking offerings with a differentiated user experience, value proposition and product pricing • In Corporate, Commercial and Institutional Banking, there is an increasing focus on process digitisation to provide scalable and personalised solutions for corporate clients. There are a growing number of use cases for blockchain technologies • In addition, digital assets are gaining adoption and linked business models are increasing in prominence. These present material opportunities as well as risks	• We monitor emerging trends, opportunities and risk developments in technology that may have implications on the banking sector • We are enhancing capabilities to ensure our systems are resilient, we remain relevant and can capitalise quickly on technology trends • Enhanced digital capabilities have been rolled out in Consumer, Private and Business Banking, particularly around onboarding, sales and marketing • We have developed and implemented a risk management approach to address the specific risks arising from digital asset activities, as well as internal guidance on how to leverage existing risk management practices for new activities and nascent risks • Strategic partnerships and alliances are being set up with fintechs to better compete in the markets in which we operate. A tiered security model has been established to ensure appropriate security oversight and governance is in place for different types of strategic partnerships • Third-Party Risk management policies, procedures and governance are being reviewed to ensure adequate coverage across all Group activities

10 This theme was previously covered under 'Third-party dependency' and 'New technologies and digitisation'

Emerging risk	Risk trend since 2020[1]	Context	How these are mitigated/next steps
Talent pools of the future[11] Potential impact: **Medium** Likelihood: **High** Velocity of change: **Moderate**	↑	• COVID-19 accelerated the move towards remote working for employees. While this initially enabled better safety and was found to benefit productivity, it also raised concerns around effective mitigation and management of operational, information and cyber security, compliance and conduct risks • The extended nature of the COVID-19 pandemic is continuing to restrict employees' ability to operate in their preferred hybrid working location format (between home and office), causing potential risks to wellbeing, ease of collaboration and learning from others • As demand for new skills and capabilities gains momentum with the rapid change in technology and new ways of working, the shortage of key skills is driving a war for talent in the financial services industry. This, combined with cross-border mobility restrictions and government protectionist policies, will especially intensify competition for local talent. A compelling purpose, combined with flexible and agile working models, upskilling and reskilling opportunities, and career mobility options becomes critical to attract, motivate and retain talent • Hybrid-working at-scale also demands concerted efforts towards inclusive behaviours and actions to ensure a consistent experience for employees working remotely, in office or hybrid, as well as those representing our diverse workforce or dealing with challenges that may not be visible or may be accentuated when working remotely	• The Group proactively assesses and manages 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 • The Group has rolled out hybrid-working options across 28 markets and over 73 per cent of colleagues in these locations are now on flexi-working arrangements • Wellbeing is one of the key pillars of the Group's Diversity and Inclusion strategy and we have embedded multiple tools and resources to support colleague wellbeing. These include toolkits for managers and employees, a confidential Employee Assistance Programme, an online programme to support physical wellbeing, increased training for Mental Health First Aiders, an on-the-go mobile app and proactive training in resilience • The Group has embarked on a multi-year journey focused on upskilling and re-skilling our workforce by building a culture of continuous learning and leveraging technology to enable employees to build future ready skills through content and cross-functional experiences

11 This theme was previously covered under 'Increase in long-term remote working providing new challenges'

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

Potential impact Refers to the extent to which a risk event might affect the Group	**Likelihood** Refers to the possibility that a given event will occur	**Velocity of change** Refers to when the risk event might materialise
High (significant financial or non-financial risk)	High (almost certain)	Fast (risk of sudden developments with limited time to respond)
Medium (some financial or non-financial risk)	Medium (likely or possible)	Moderate (moderate pace of developments for which we expect there will be time to respond)
Low (marginal financial or non-financial risk)	Low (unlikely or rare)	Steady (gradual or orderly developments)

Capital review

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

Capital summary

The Group's capital, leverage and minimum requirements for own funds and eligible liabilities (MREL) position is managed within the Board-approved Risk Appetite. The Group is well capitalised with low leverage and high levels of loss-absorbing capacity.

	2021	2020
CET1 capital	**14.1%**	14.4%
Tier 1 capital	**16.6%**	16.5%
Total capital	**21.3%**	21.2%
UK leverage	**4.9%**	5.2%
MREL ratio	**31.7%**	30.9%
Risk-weighted assets (RWA) $million	**271,233**	268,834

The Group's capital, leverage and MREL positions were all above current requirements and Board-approved Risk Appetite. For further detail see the Capital section in the Standard Chartered PLC Pillar 3 Disclosures for FY 2021.

The Group's CET1 capital decreased 28 basis points to 14.1 per cent of RWA since FY2020. Profits were more than offset by distributions (including ordinary share buy-backs of $0.5 billion during the year), RWA growth, movements in reserves and an increase in regulatory deductions.

The PRA updated the Group's Pillar 2A requirement during H2 2021. As at 31 December 2021 the Group's Pillar 2A was 3.4 per cent of RWA, of which at least 1.9 per cent must be held in CET1 capital. The Group's minimum CET1 capital requirement was 10.1 per cent at 31 December 2021. The UK counter cyclical buffer will increase to 1.0 per cent from December 2022; however, the impact on the Group's minimum CET1 capital requirement is expected to be immaterial.

Following updated guidance from the PRA, Structural Foreign Exchange risk will be capitalised under the Pillar 1 approach for Market Risk from 31 December 2021. This change in regulatory treatment contributed $3.7 billion to the reported Market Risk RWA at year-end. To avoid any possible double count of capital requirements for Structural Foreign Exchange risk across Pillar 1 and Pillar 2, the PRA has agreed to reset the Group's Pillar 2A requirement for this specific risk.

There are three policy changes expected to impact the calculation of CET1 and or RWAs in 2022. Firstly, the PRA has confirmed that software relief will be excluded from CET1 from 1 January 2022 which will reduce CET1 by approximately 32 basis points. Secondly, recent industry wide regulatory changes to align IRB model performance (the IRB model repair program) will add approximately $4.7 billion of additional RWA from 1 January 2022. Finally, the introduction of standardised rules for counterparty credit risk on derivatives and other instruments (SA-CCR) will add approximately $1.6 billion of additional RWA. The combination of the IRB model repair program and SA-CCR are expected to reduce the CET1 ratio by approximately 31 basis points from 1 January 2022. On a pro forma basis, after the deduction of software relief and other regulatory changes and adjustments, the CET1 ratio as at 1 January 2022 is 13.5 per cent.

The Group CET1 capital ratio at 31 December 2021 reflects the share buy-backs of $254 million completed in the first quarter of 2021 and $250 million completed in the third quarter of 2021. The CET1 capital ratio also includes an accrual for the FY 2021 dividend. The Board has recommended a final dividend for FY 2021 of $277 million or 9 cents per share resulting in a total 2021 dividend of 12 cents per share, a one-third increase on the 2020 dividend. In addition, the Board has announced a share buy-back of $750 million, the impact of this will reduce the Group's CET1 capital by around 28 basis points in the first quarter of 2022.

The Group expects to manage CET1 capital dynamically within our 13–14 per cent target range in support of our aim of delivering future sustainable shareholder distributions.

The Group's fully phased MREL will be 26.4 per cent of RWA from 1 January 2022. This is composed of a minimum requirement of 22.7 per cent of RWA and the Group's combined buffer (comprising the capital conservation buffer, the G-SII buffer and the countercyclical buffer). The Group's MREL ratio was 31.7 per cent of RWA and 9.4 per cent of UK leverage exposure at 31 December 2021.

During 2021, the Group successfully raised around $10.8 billion of MREL eligible securities from its holding company, Standard Chartered PLC. Issuance was across the capital structure including $2.8 billion of Additional Tier 1 (AT1), $1.2 billion of Tier 2 and around $6.8 billion of callable senior debt.

During 2021 the Group repurchased $1 billion 7.5 per cent AT1 securities via a tender offer alongside a new 4.3 per cent AT1 issue of $1.5 billion. This transaction was part of the Group's proactive approach to capital management and reduced the weighted average cost of the Group's AT1 capital base.

The Group successfully completed the formation of an ASEAN hub during 2021 in which our existing businesses in Malaysia, Thailand and Vietnam were moved 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 capital buffer. The Standard Chartered PLC G-SII disclosure is published at: sc.com/en/investors/financial-results.

CRD capital base[1] (audited)

	2021 $million	2020 $million
CET1 capital instruments and reserves		
Capital instruments and the related share premium accounts	**5,528**	5,564
Of which: share premium accounts	**3,989**	3,989
Retained earnings[2]	**24,968**	25,723
Accumulated other comprehensive income (and other reserves)	**11,805**	12,688
Non-controlling interests (amount allowed in consolidated CET1)	**201**	180
Independently audited year-end profits	**2,346**	718
Foreseeable dividends	**(493)**	(481)
CET1 capital before regulatory adjustments	**44,355**	44,392
CET1 regulatory adjustments		
Additional value adjustments (prudential valuation adjustments)	**(665)**	(490)
Intangible assets (net of related tax liability)[3]	**(4,392)**	(4,274)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	**(150)**	(138)
Fair value reserves related to net losses on cashflow hedges	**34**	52
Deduction of amounts resulting from the calculation of excess expected loss	**(580)**	(701)
Net gains on liabilities at fair value resulting from changes in own Credit Risk	**15**	52
Defined-benefit pension fund assets	**(159)**	(40)
Fair value gains arising from the institution's own Credit Risk related to derivative liabilities	**(60)**	(48)
Exposure amounts which could qualify for risk weighting of 1,250%	**(36)**	(26)
Total regulatory adjustments to CET1	**(5,993)**	(5,613)
CET1 capital	**38,362**	38,779
Additional Tier 1 capital (AT1) instruments	**6,811**	5,632
AT1 regulatory adjustments	**(20)**	(20)
Tier 1 capital	**45,153**	44,391
Tier 2 capital instruments	**12,521**	12,687
Tier 2 regulatory adjustments	**(30)**	(30)
Tier 2 capital	**12,491**	12,657
Total capital	**57,644**	57,048
Total risk-weighted assets (unaudited)	**271,233**	268,834

1 CRD capital is prepared on the regulatory scope of consolidation

2 Retained earnings includes IFRS 9 capital relief (transitional) of $252 million, including dynamic relief of $40 million

3 The deduction of intangible assets includes software deduction relief of $1,005 million available as per CRR 'Quick Fix' measures. (FY20 software deduction relief of $677 million)

Movement in total capital (audited)

	2021 $million	2020 $million
CET1 at 1 January	**38,779**	36,513
Ordinary shares issued in the period and share premium	**–**	–
Share buy-back	**(506)**	(242)
Profit for the period	**2,346**	718
Foreseeable dividends deducted from CET1	**(493)**	(481)
Difference between dividends paid and foreseeable dividends	**(303)**	476
Movement in goodwill and other intangible assets	**(118)**	1,044
Foreign currency translation differences	**(652)**	700
Non-controlling interests	**21**	(543)
Movement in eligible other comprehensive income	**(306)**	324
Deferred tax assets that rely on future profitability	**(12)**	(9)
Decrease/(increase) in excess expected loss	**121**	121
Additional value adjustments (prudential valuation adjustment)	**(175)**	125
IFRS 9 transitional impact on regulatory reserves including day one	**(142)**	35
Exposure amounts which could qualify for risk weighting	**(10)**	36
Fair value gains arising from the institution's own Credit Risk related to derivative liabilities	**(12)**	(10)
Other	**(176)**	(28)
CET1 at 31 December	**38,362**	38,779
AT1 at 1 January	**5,612**	7,164
Net issuances (redemptions)	**1,736**	(995)
Foreign currency translation difference	**(2)**	8
Excess on AT1 grandfathered limit (ineligible)	**(555)**	(565)
AT1 at 31 December	**6,791**	5,612
Tier 2 capital at 1 January	**12,657**	12,288
Regulatory amortisation	**(1,035)**	(463)
Net issuances (redemptions)	**573**	(69)
Foreign currency translation difference	**(181)**	257
Tier 2 ineligible minority interest	**(81)**	82
Recognition of ineligible AT1	**555**	565
Other	**3**	(3)
Tier 2 capital at 31 December	**12,491**	12,657
Total capital at 31 December	**57,644**	57,048

The main movements in capital in the period were:

- CET1 capital decreased by $0.4 billion as retained profits of $2.3 billion were more than offset by share buy-backs of $0.5 billion, distributions paid and foreseeable of $0.8 billion, foreign currency translation impact of $0.7 billion, movement in other comprehensive income of $0.3 billion and an increase in regulatory deductions and other movements of $0.4 billion.
- AT1 capital increased by $1.2 billion following the issuance of $1.25 billion 4.75 per cent and $1.5 billion 4.3 per cent AT1 securities partly offset by the repurchase of $1 billion 7.5 per cent AT1 securities via a tender offer and the phasing out of $0.6 billion of grandfathered instruments.
- Tier 2 capital decreased by $0.2 billion as issuance of $1.2 billion of new Tier 2 instruments and recognition of ineligible AT1 were more than offset by regulatory amortisation and the redemption of $0.5 billion of Tier 2 during the year.

Risk-weighted assets by business

	2021 Credit Risk $million	2021 Operational Risk $million	2021 Market Risk $million	2021 Total risk $million
Corporate, Commercial & Institutional Banking	**125,904**	**16,595**	**20,789**	**163,288**
Consumer, Private & Business Banking	**42,733**	**8,504**	**–**	**51,237**
Central & other items	**50,951**	**2,017**	**3,740**	**56,708**
Total risk-weighted assets	**219,588**	**27,116**	**24,529**	**271,233**

	2020 (Restated) Credit Risk $million	2020 (Restated) Operational Risk $million	2020 (Restated) Market Risk $million	2020 (Restated) Total risk $million
Corporate, Commercial & Institutional Banking[1]	127,663	15,963	21,465	165,091
Consumer, Private & Business Banking[1]	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 and Private Banking and Retail Banking to Consumer, Private & Business Banking. Prior period has been restated

Risk-weighted assets by geographic region

	2021 $million	2020 (Restated) $million
Asia[1]	**170,381**	174,283
Africa & Middle East	**48,852**	51,149
Europe & Americas	**50,283**	45,758
Central & other items	**1,717**	(2,356)
Total risk-weighted assets	**271,233**	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						
	Commercial, Corporate & 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	123,667	42,819	49,178	215,664	27,620	20,806	264,090
At 1 January 2020[1]	123,611	42,875	49,178	215,664	27,620	20,806	264,090
Assets growth mix	(9,743)	520	3,711	(5,512)	–	–	(5,512)
Asset quality	12,190	323	2,409	14,922	–	–	14,922
Risk-weighted assets efficiencies	(71)	–	–	(71)	–	–	(71)
Model, methodology and policy changes	247	134	661	1,042	–	(1,500)	(458)
Disposals	–	–	(7,859)	(7,859)	(1,003)	(159)	(9,021)
Foreign currency translation	1,429	903	(77)	2,255	–	–	2,255
Other non-credit risk movements	–	–	–	–	183	2,446	2,629
At 31 December 2020	**127,663**	**44,755**	**48,023**	**220,441**	**26,800**	**21,593**	**268,834**
Assets growth mix	**2,278**	**3,614**	**4,350**	**10,242**	**–**	**–**	**10,242**
Asset quality	**(1,537)**	**(662)**	**13**	**(2,186)**	**–**	**–**	**(2,186)**
Risk-weighted assets efficiencies	**(415)**	**(30)**	**(657)**	**(1,102)**	**–**	**–**	**(1,102)**
Model, methodology and policy changes	**–**	**(3,701)**	**–**	**(3,701)**	**–**	**2,065**	**(1,636)**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Foreign currency translation	**(2,085)**	**(1,243)**	**(1,106)**	**(4,434)**	**–**	**–**	**(4,434)**
Other non-credit risk movements	**–**	**–**	**328**	**328**	**316**	**871**	**1,515**
At 31 December 2021	**125,904**	**42,733**	**50,951**	**219,588**	**27,116**	**24,529**	**271,233**

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 and Private Banking and Retail Banking to Consumer, Private & Business Banking. Prior period has been restated

Movements in risk-weighted assets

RWA increased by $2.4 billion, or 0.9 per cent from 31 December 2020 to $271.2 billion. This was mainly due to increases in Market Risk RWA of $2.9 billion and Operational Risk RWA of $0.3 billion, partly offset by a decrease in Credit Risk RWA of $0.9 billion.

Corporate, Commercial & Institutional Banking

Credit Risk RWA decreased by $1.8 billion to $125.9 billion mainly due to:

- $2.1 billion decrease from foreign currency translation
- $1.5 billion decrease due to improvement in asset quality reflecting client upgrades and actions concerning specific stage 3 exposures
- $0.4 billion decrease from RWA efficiencies relating to unsecured recoveries
- $2.2 billion increase due to asset balance growth mainly from Lending in Asia.

Consumer, Private & Business Banking

Credit Risk RWA decreased by $2.0 billion to $42.7 billion mainly due to:

- $3.7 billion decrease from a model change benefit in Korea
- $1.2 billion decrease from foreign currency translation
- $0.7 billion decrease due to improvement in asset quality across retail portfolios in Asia
- $3.6 billion increase in asset balance growth in Asia.

Central & other items

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

Credit Risk RWA increased by $2.9 billion to $51.0 billion mainly due to:

- $4.4 billion increase from asset balance growth primarily in Europe and the Americas and Africa and the Middle East, partially offset by asset balance decline in Asia
- $0.3 billion increase relating to software intangible assets with a corresponding deduction to CET1
- $1.1 billion decrease from foreign currency translation
- $0.7 billion decrease due to efficiencies relating to covered bonds.

Market Risk

Total Market Risk RWA increased by $2.9 billion, or 14 per cent from 31 December 2020 to $24.5 billion.

The increase was mainly due to the impact of updated PRA guidance ($2 billion). Structural Foreign Exchange risk of $3.7 billion is now treated as Pillar 1 market risk RWA. Previously this was recognised entirely as Pillar 2A risk. This increase was offset in part by the $1.6 billion benefit of PRA permission to consolidate market risk RWA for SCB Malaysia Berhad, SCB Thai PCL and SCB (Vietnam) Ltd. Consolidation reflects diversification and thus gives lower RWA.

Other movements contributed a $0.9 billion increase due to:

- $1.1 billion increase in Standardised Approach Specific Interest Rate Risk RWA due to increased credit spread positions
- $1.0 billion increase in Internal Models Approach (IMA) stressed VaR RWA due to increased IMA positions
- $1.0 billion decrease in IMA VaR RWA with reduced market volatility in the one-year historical rates applied for daily VaR
- $0.5 billion decrease in IMA Risks not in VaR
- $0.3 billion of other small increases.

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 was 4.9 per cent at FY2021, which was above the current minimum requirement of 3.7 per cent. The leverage ratio was 29 basis points lower than FY20. Leverage exposure increased by $76 billion from an increase in on-balance sheet items (excluding derivatives) of $58 billion, off-balance sheet items of $11 billion and a securities financing transactions add-on of $9 billion. End point Tier 1 increased by $1.3 billion as CET1 capital reduced by $0.4 billion and the issuance of $1.25 billion 4.75 per cent and $1.5 billion 4.3 per cent AT1 securities completed during the year was partly offset by the repurchase of $1 billion 7.5 per cent AT1 securities via a tender offer.

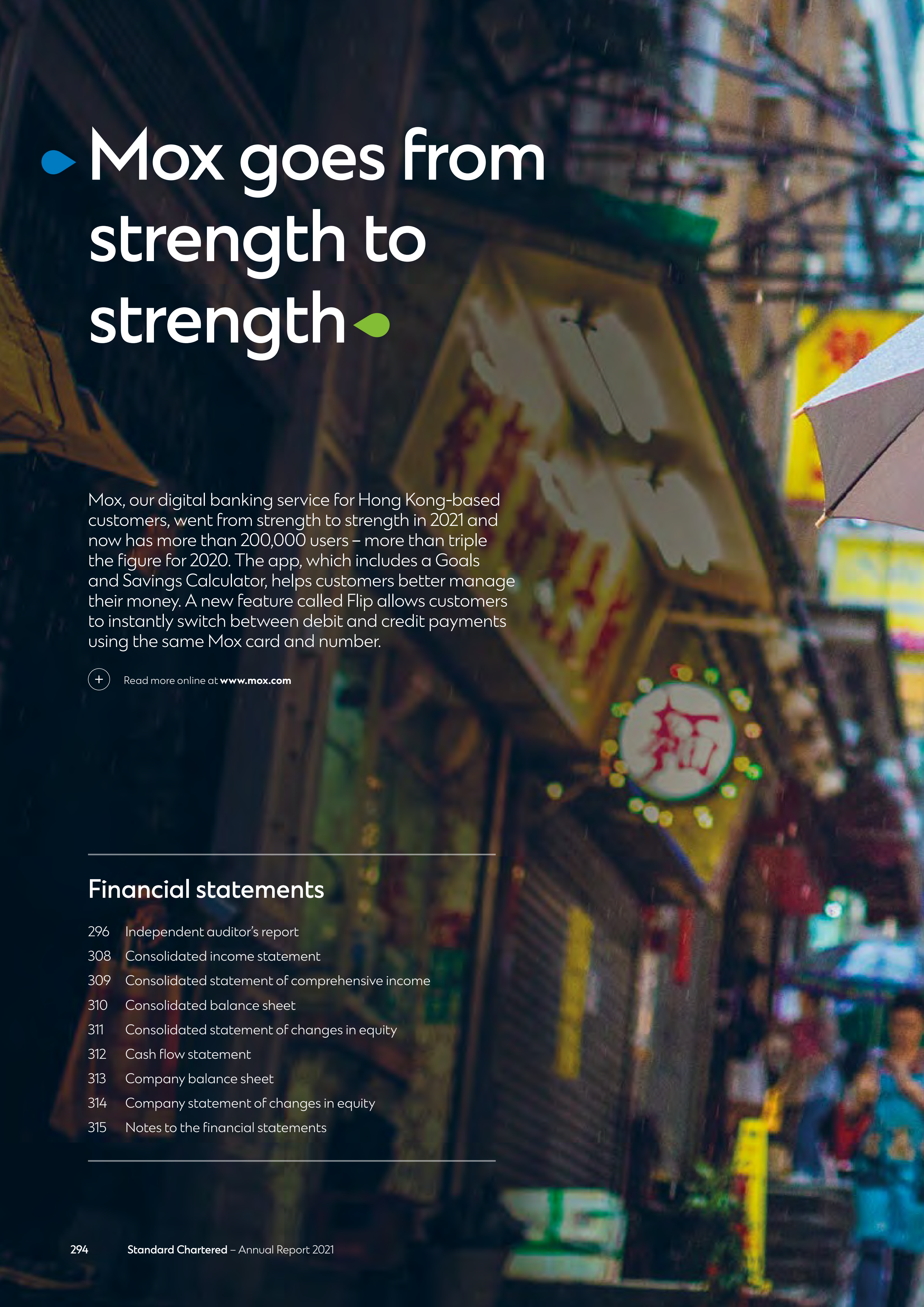
In October 2021, the PRA published a policy statement outlining changes to the UK leverage ratio framework. The minimum leverage ratio requirement applicable to the Group was maintained at 3.25 per cent. Additional buffers based on the countercyclical and G-SII buffers are set at 35 per cent of their risk-weighted equivalent and must be met with 100 per cent of CET1 capital. Firms that breach their leverage ratio buffers will not face any capital distribution restrictions. The exposure value of derivative contracts will be based on the standardised approach to Counterparty Credit Risk, while central bank reserves continue to be excluded from the UK leverage ratio exposure measure. The rules came into force on 1 January 2022. The impact from implementation of the new leverage rules is estimated to be immaterial.

UK leverage ratio

	2021 $million	2020 $million
Tier 1 capital (transitional)	**45,153**	44,391
Additional Tier 1 capital subject to phase out	**(557)**	(1,114)
Tier 1 capital (end point)[1]	**44,596**	43,277
Derivative financial instruments	**52,445**	69,467
Derivative cash collateral	**9,217**	11,759
Securities financing transactions (SFTs)	**88,418**	67,570
Loans and advances and other assets	**677,738**	640,254
Total on-balance sheet assets	**827,818**	789,050
Regulatory consolidation adjustments[2]	**(63,704)**	(60,059)
Derivatives adjustments		
Derivatives netting	**(34,819)**	(44,257)
Adjustments to cash collateral	**(17,867)**	(21,278)
Net written credit protection	**1,534**	1,284
Potential future exposure on derivatives	**50,857**	42,410
Total derivatives adjustments	**(295)**	(21,841)
Counterparty Risk leverage exposure measure for SFTs	**13,724**	4,969
Off-balance sheet items	**139,505**	128,167
Regulatory deductions from Tier 1 capital	**(5,908)**	(5,521)
UK leverage exposure (end point)	**911,140**	834,765
UK leverage ratio (end point)	**4.9%**	5.2%
UK leverage exposure quarterly average	**897,992**	837,147
UK leverage ratio quarterly average	**5.0%**	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



Mox goes from strength to strength

Mox, our digital banking service for Hong Kong-based customers, went from strength to strength in 2021 and now has more than 200,000 users – more than triple the figure for 2020. The app, which includes a Goals and Savings Calculator, helps customers better manage their money. A new feature called Flip allows customers to instantly switch between debit and credit payments using the same Mox card and number.

+ Read more online at **www.mox.com**

Financial statements

Independent Auditor's Report to the members of Standard Chartered PLC

Opinion

In our opinion:

- the financial statements of Standard Chartered PLC (the 'Company'), its subsidiaries (together, the 'Group') and the Group's interest in associates and jointly controlled entities (together, the 'Group financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU IFRS);
- the Company financial statements have been properly prepared in accordance with UK adopted IAS as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Standard Chartered PLC (the 'Company') and its subsidiaries (together, the 'Group') for the year ended 31 December 2021 which comprise:

Group	Parent company
Consolidated income statement for the year ended 31 December 2021;	Company cash flow statement for the year ended 31 December 2021;
Consolidated statement of comprehensive income for the year ended 31 December 2021;	Company balance sheet as at 31 December 2021;
Consolidated balance sheet as at 31 December 2021;	Company statement of changes in equity for the year then ended; and
Consolidated statement of changes in equity for the year then ended;	Related notes 1 to 40, where relevant to the financial statements, including a summary of significant accounting policies.
Consolidated cash flow statement for the year then ended	
Related notes 1 to 40 to the financial statements, including a summary of significant accounting policies;	
Information marked as 'audited' within the Directors' remuneration report from page 141 to 180; and	
Risk review and capital review disclosures marked as 'audited' from page 200 to 290.	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted IAS, and as regard to the Group financial statements, EU IFRS, and as regards the Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('FRC') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and Company's ability to continue to adopt the going concern basis of accounting included:

- Understanding management's going concern assessment process, including the impact of the COVID-19 pandemic (COVID-19);
- Review of the Corporate Plan, including assessing the reasonableness of assumptions and historical forecasting accuracy;
- Assessing the results of management's stress testing, including consideration of principal and emerging risks, on funding, liquidity and regulatory capital;
- Reviewing correspondence with prudential regulators and authorities for matters that may impact the going concern assessment; and
- Evaluating the appropriateness of the going concern disclosure included in note 1 to the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Company's ability to continue as a going concern for a period of twelve months from 17 February 2022.

In relation to the Group and Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of 21 components in 14 countries and audit procedures on specific balances for a further 7 components in 4 countries. • The components where we performed full or specific audit procedures accounted for 81% of absolute adjusted profit before tax (PBT) measure used to calculate materiality, 89% of absolute operating income and 96% of Total assets.
Key audit matters	• Credit impairment • User access management • Impairment of non-financial assets (Aircraft, Goodwill and Investments in subsidiary undertakings) • Basis of accounting and impairment assessment of China Bohai Bank (Interest in Associate) • Valuation of financial instruments held at fair value with higher risk characteristics
Materiality	• Overall group materiality of $195m which represents 5% of adjusted PBT.

An overview of the scope of the Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each component within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We took into account the size, risk profile, the organisation of the group and effectiveness of Group control environment, changes in the business environment and other factors such as material issues or misstatements noted in prior period when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the consolidated financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 352 reporting components of the Group, we selected 28 components in 18 countries covering entities within Bangladesh, Germany, Hong Kong, India, Indonesia, Ireland, Japan, Kenya, Mainland China, Malaysia, Nigeria, Pakistan, Singapore, South Korea, Taiwan, United Arab Emirates, United Kingdom, and the United States of America, which represent the principal business units within the Group. The definition of a component is aligned with the structure of the Group's consolidation system, typically these are either a branch, group of branches, group of subsidiaries, a subsidiary or an associate.

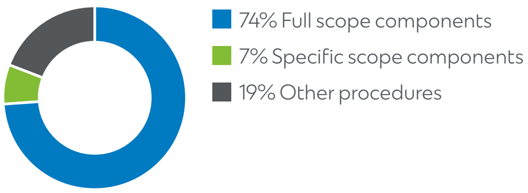
We took a centralised approach to auditing certain processes and controls, as well as the substantive testing of specific balances. This included audit work over Global Business Services, Commercial, Corporate and Institutional Banking, Credit Impairment and Technology.

Of the 28 components selected in 18 countries, we performed an audit of the complete financial information of 21 components in 14 countries ('full scope components') which were selected based on their size or risk characteristics. For the remaining 7 components in 4 countries ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

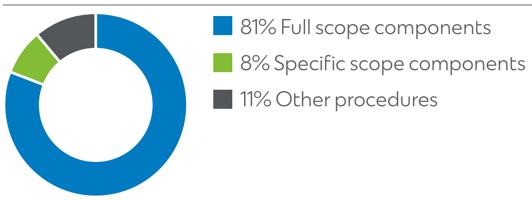
The reporting components where we performed audit procedures accounted for 81% (2020: 86%) of the Group's absolute adjusted PBT, 89% (2020: 89%) of the Group's absolute operating income and 96% (2020: 97%) of the Group's total assets. For the current year, the full scope components contributed 74% (2020: 82%) of the Group's absolute adjusted PBT, 81% (2020: 82%) of the Group's absolute operating income and 88% (2020: 90%) of the Group's total assets. The specific scope component contributed 7% (2020: 4%) of the Group's absolute adjusted PBT, 8% (2020: 7%) of the Group's absolute operating income and 8% (2020: 7%) of the Group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining 324 components that together represent 19% of the Group's absolute adjusted PBT, none are individually greater than 1.7% of the Group's absolute adjusted PBT. For these components, we performed other procedures at a Group level which included, performing analytical reviews at a Group financial statement line item level, testing entity level controls, performing audit procedures on the centralised shared service centres, testing of consolidation journals and intercompany eliminations, inquiring with local component teams and assessing the outcome of prior year local statutory audits to respond to any potential risks of material misstatement to the Group financial statements. The charts below illustrate the coverage obtained from the work performed by our audit teams.

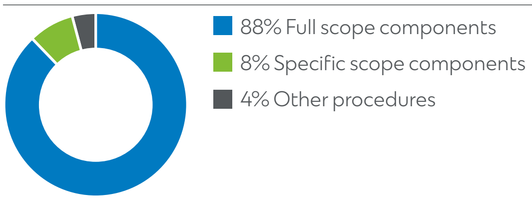
Absolute adjusted profit before tax



Absolute operating income



Total assets



Changes from the prior year

We assessed our 2021 audit scope with consideration of history or expectation of unusual or complex transactions and potential for or history of material misstatements. We also kept our audit scope under review throughout the year.

A total of 5 components in 4 countries which were previously included in our prior year audit scope, that together represent 1.3% of the prior year absolute adjusted PBT have now been excluded from the Group audit scope in the current year based on our updated risk assessment.

Bangladesh which was a full scope component in the prior year is designated as a specific scope component in the current year based on our updated risk assessment.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Group audit engagement team, or by component auditors from other EY global network firms and another firm operating under our instruction.

Of the 21 full scope components, audit procedures were performed on 2 of these (including the audit of the Company) directly by the Group audit engagement team (EY London) in the United Kingdom. For the 7 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole. In addition, the Group has centralised processes and controls over key areas in its shared service centres. Members of the Group audit engagement team provide direct oversight, review and coordination of our shared service centre audits.

Our programme of planned visits to components and shared service centres in several locations was impacted by the travel restrictions and other imposed government measures which are still in place from the prior year as a result of the ongoing COVID-19 pandemic. The audit was performed remotely at both Group audit engagement team and component locations supported through the use of EY software collaboration platforms for the secure and timely delivery of requested audit evidence. We also undertook virtual engagement with local audit teams and management. These virtual meetings involved discussing the audit approach with the component and shared service centres team and any issues arising from their work, meeting with local management, attending meetings with the key audit partners of material components, attending interim and closing meetings and performing remote reviews of key audit workpapers. Furthermore, the Senior Statutory Auditor visited Singapore as it is the location where significant element of the work on significant risk areas such as credit and financial instrument valuation is performed. He attended meetings with management and held discussions on the audit approach and any issues arising from the work of the Singapore component and Shared Service Centre teams.

As a result of COVID-19, we maintained continuous involvement and oversight of the component teams. This includes the Group audit engagement partners and senior members of the primary audit team increasing regular interactions through calls and video conferences during various stages of the audit process, increasing our written communications to and reporting from the component teams and inviting component teams to our virtual planning event and subsequent virtual events dedicated to specific areas of the audit.

For majority of the significant and fraud risk areas, substantial elements of the audit work were led centrally, either within the Group audit engagement team, or within other teams performing centralised procedures.

This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group and Company financial statements.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact the banking industry. The Group has determined climate risk to be a Primary Integrated Risk Type and the assessment of this risk is explained in the Task Force for Climate related Financial Disclosures and in the Principal Risks and Uncertainties section of the Annual Report (collectively the "Climate Disclosures").

The Climate Disclosures form part of the 'Other information,' rather than the audited financial statements. Our procedures on the Climate Disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Governmental and societal responses to climate change risks are still developing and are interdependent upon each other; accordingly, financial statements cannot capture all possible future outcomes as these are not yet known. The degree of uncertainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK adopted IAS and EU IFRS.

Our audit effort in considering climate change risks was focused on evaluating whether the Group's assessment of the effects of material climate change risks disclosed within Basis of Preparation on page 316 have been appropriately reflected in the valuation of assets and liabilities, where these can be reliably measured. This was in the context of the Group's process over this emerging area being limited, as a result of limitations in the availability of data and sophisticated models, and as the Group considers how it further embeds its climate ambitions into the planning process.

We also understood the Directors' considerations of climate change in their assessment of going concern and viability and the associated disclosures.

Whilst the Group has stated its commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050, the Group considers Climate Risk as a longer-term risk and will address the risk through its business strategy and financial planning as the Group implements its net zero journey. As set out above and on page 316 within Basis of Preparation, the Group's process is currently limited, and accordingly, the potential impacts of Climate Risk may not be fully incorporated in these financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk

Credit Impairment

Refer to the Audit Committee Report (page 117); Accounting policies (page 328); Note 8 of the financial statements; and relevant credit risk disclosures (including pages 203 and 234)

At 31 December 2021, the Group reported total credit impairment balance sheet provision of $6,209 million (2020: $7,145 million).

Management's judgements and estimates are especially subjective due to significant uncertainty associated with the assumptions used. Assumptions with increased complexity in respect of the timing and measurement of expected credit losses (ECL) include:

- **Staging** – Allocation of assets to stage 1, 2, or 3 on a timely basis using criteria in accordance with IFRS 9;
- **Model output and adjustments** – Accounting interpretations, modelling assumptions and data used to build and run the models that calculate the ECL, including the appropriateness, completeness and valuation of post-model adjustments applied to model output to address risks not fully captured by the models;
- **Economic scenarios** – Significant judgements involved with the determination of parameters used in Monte Carlo Simulation and the evaluation of the appropriateness of using Monte Carlo Simulation with regards to whether the simulation can sufficiently capture the non-linearity of ECL and appropriately generate a wide enough range of possible outcomes;
- **Management overlays** – Appropriateness, completeness and valuation of risk event overlays to capture risks not identified by the credit impairment models, including the consideration of the risk of management override; and
- **Individually assessed ECL allowances** – Measurement of individual provisions including the assessment of probability weighted recovery scenarios, exit strategies, collateral valuations and time to collect.

The above complexities are further exacerbated by the ongoing COVID-19 pandemic, particularly due to its dynamic nature and the diversity of its impact across geographies and time. The most notable risk in this respect remains the appropriateness of the management COVID-19 overlay recognised within the ECL.

The level of risk remains consistent with the prior year.

Our response to the risk

We evaluated the design and operating effectiveness of controls relevant to the Group's processes over material ECL balances, including the judgements and estimates noted, involving EY specialists to assist us in performing our procedures to the extent it was appropriate. These included:

- credit monitoring;
- controls over the allocation of assets into stages such as management's monitoring of stage effectiveness;
- completeness and accuracy of data;
- review and approval of multiple economic scenarios;
- model governance, including model monitoring, model validation and review and approval of post model adjustments;
- review and approval of management overlays; and
- review and approval of the individually assessed ECL.

In evaluating the controls, we obtained the relevant papers and minutes of the executive forums that discuss and approve the credit models and ECL allowances for evidence of executive review and challenge.

We performed an overall stand-back assessment of the ECL allowance levels by stage to determine if they were reasonable by considering the overall credit quality of the Group's portfolios, risk profile, impact of COVID-19 including geographic considerations and vulnerable sectors. We also assessed the effect of government support measures in key locations (e.g., payment deferrals), which may delay or mask stage migrations. Our assessment also included the evaluation of the macroeconomic environment by considering trends in the economies and industries to which the Group is exposed. We performed peer benchmarking where available to assess overall staging and provision coverage levels.

Staging – We evaluated the criteria used to allocate financial assets to stage 1, 2 or 3 in accordance with IFRS 9. We reperformed the staging distribution for a sample of financial assets and assessed the reasonableness of staging downgrades applied by management.

To test credit monitoring which largely drives the probability of default estimates used in the staging calculation, we challenged the risk ratings for a sample of performing accounts and other accounts exhibiting risk characteristics such as financial difficulties, deferment of payment, late payment and watchlist. We also considered the vulnerable sectors (as defined on page 229 in the annual report) impacted by COVID-19.

Risk	Our response to the risk
Credit Impairment continued	**Modelled output and adjustments** – We performed a risk assessment on models involved in the ECL calculation to select a sample of models to test. We engaged our modelling specialists to evaluate a sample of ECL models by assessing the reasonableness of underpinning assumptions, inputs and formulae used. This included a combination of assessing the appropriateness of model design, formulae and algorithms, alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default parameters. Together with our modelling specialists, we also assessed material post-model adjustments which were applied as a response to risks not fully captured by the models, including the completeness and appropriateness of these adjustments, for which we considered the applied judgments and methodology, and governance thereon. In response to the new models implemented this year to address known weaknesses in previous models, we performed substantive testing procedures, including code review and implementation testing. To evaluate data quality, we agreed a sample of ECL calculation data points to source systems, including, among other data points, balance sheet data used to run the models. We also tested a sample of the ECL data points from the calculation engine through to the general ledger and disclosures. We included COVID-19 specific data points in this testing. **Economic scenarios** – For material models, in collaboration with our economists and modelling specialists, we also challenged the completeness and appropriateness of the macroeconomic variables used as inputs to these models. Additionally, we involved economic specialists to assist us in evaluating the reasonableness of the base forecast for sample of macroeconomic variables most relevant for the Group's ECL calculation influenced by the above assessment. Procedures performed included benchmarking the forecast for a sample of macroeconomic variables to a variety of external sources. Furthermore, we assessed the reasonableness of the non-linearity impact on ECL allowances. By engaging our economists and modelling specialists, we assessed the Group's choice of scenarios and chosen weights used, and the underlying mechanics and formulae to determine the uplift in ECL. **Management overlays** – We challenged the completeness and appropriateness of overlays used for risks not captured by the models, particularly the uncertainties as a result of the COVID-19 pandemic and observed in the China Commercial Real Estate sector. Our procedures included evaluating the underpinning assumptions and judgments as to whether they are appropriate in prevailing market conditions. **Individually assessed ECL allowances** – Our procedures included challenging management's forward-looking economic assumptions of the recovery outcomes identified and assigned individual probability weightings, and recalculating a sample of individually assessed provisions. We also engaged our valuation specialists to test the value of the collateral used in management's calculations. Our sample was based on quantitative thresholds and qualitative factors including exposure to vulnerable sectors. We considered the impact COVID-19 had on collateral valuations and time to collect. We also considered whether planned exit strategies remained viable under COVID-19.

Our conclusions

We concluded that management's methodology, judgements and assumptions used in calculating credit impairment are in accordance with the accounting standard. We highlighted the following matters to the Audit Committee:

- a number of control findings in relation to the model governance framework;
- some instances of over and under estimation;
- the level of uncertainty in the China Commercial Real Estate sector and the associated management overlay including the key assumptions used;
- benchmarking impact of non-linearity from the baseline ECL against UK peers; and
- the need for to continuously assess the composition of the CPBB COVID-19 overlay to reflect the everchanging market uncertainties.

Overall modelled ECL levels, staging and individually assessed provisions were reasonable. We concluded that the Group's ECL allowances were reasonable and recognised in accordance with IFRS 9.

Risk	Our response to the risk
User Access Management – Privileged Access Management Refer to the Audit Committee Report (page 118) IT General Controls (ITGCs) support the continuous operation of the automated and other IT dependent controls within the business processes related to financial reporting. Effective IT general controls are needed to ensure that IT applications process business data as expected and that changes are made in an appropriate manner. During the 2020 audit, a number of significant privileged identity management (PIM) control deficiencies were identified by us. Similar deficiencies were identified by Group Internal Audit (GIA) and the predecessor auditor in 2018 and 2019. The possibility of IT application users gaining access privileges beyond those necessary to perform their assigned duties may result in breaches in segregation of duties, including inappropriate manual intervention, unauthorised changes to systems or programmes. These deficiencies are still in the process of being fully remediated. During the current year audit, we made further observations relating to the effectiveness of remediation activities. The risk has decreased in the current year due to management's remediation program, which is still in progress as at the year-end date.	We reviewed the results of management's remediation program and risk assessment for applications in our audit scope and assessed the impact on the financial statements for the year ended 31 December 2021. We tested IT compensating controls where possible, and also performed additional IT substantive procedures to assess the impact of risks associated with the reported deficiencies, on the financial statements. Where required, we tested business compensating controls and performed additional business substantive procedures.

Our conclusions

- We communicated a weakness in internal control to the Audit Committee throughout the audit, in respect of the effectiveness of privileged identity management.
- We explained the additional procedures performed, including IT substantive testing, testing of IT and business compensating controls, and where required, additional substantive testing over impacted account balances.

As a result of the procedures performed, we have reduced the risk that our audit has not identified a material error in the Group and Company financial statements, related to user privileged access management, to an appropriate level.

Risk	Our response to the risk
Impairment assessment of non-financial assets Refer to the Audit Committee Report (pages 117 and 118); a) Impairment of aircraft: Accounting policies (page 381); and Note 18 of the financial statements b) Impairment of Goodwill: Accounting policies (page 378); and Note 17 of the financial statements and c) Impairment of investments in subsidiary undertakings: Accounting policies (page 407); and Note 32 of the financial statements COVID-19 continues to have a significant economic impact globally. As a result, the Group assessed for impairment its various non-financial assets during 2021, the most significant of which are set out below. **Impairment of aircraft** The Group owns a portfolio of aircraft with a carrying value of \$3,092 million (2020: \$3,897 million), which are leased to airlines. The aircraft are measured at cost less accumulated depreciation and impairment. As at 31 December 2021, the Group has reported a \$64 million impairment charge in respect of aircraft. Each aircraft was tested for impairment. Impairment of aircraft is determined by comparing the carrying value to the higher of the current market value, provided by independent appraisers, and the value in use (VIU). The judgemental assumptions in the VIU calculation include the discount rate and residual values. **Goodwill and investments in subsidiary undertakings** The Group performed an impairment test on goodwill amounting to \$2,595 million (2020: \$2,617 million) and, in the Company financial statements, investments in subsidiary undertakings amounting to \$60,429 million (2020: \$57,407 million). Impairment of goodwill and investments in subsidiary undertakings is determined by comparing the carrying value to recoverable amount. Where the recoverable amount is based on VIU, this is modelled by reference to future cashflow forecasts (profit forecast including a regulatory capital haircut adjustment), discount rates and macroeconomic assumptions such as long-term growth rates. Consequently, there is a risk that if the judgements and assumptions underpinning the impairment assessments are inappropriate, then the goodwill and investments in subsidiaries balances may be misstated. The level of risk remains consistent with the prior year.	We obtained an understanding of management's processes for assessing impairment and evaluated the design of controls. We took a fully substantive approach. **Impairment of aircraft** We assessed the appropriateness of the Group's VIU methodology for testing the impairment of the aircraft portfolio. We tested the mathematical accuracy of the VIU model and engaged our valuation specialists to support the audit team in calculating an independent range for assumptions in the VIU calculations, such as discount rates, re-lease assumptions and residual values. Where current market values and residual values were used to support the carrying value, we agreed a sample to independent appraisal reports. We evaluated management's sensitivity analysis in relation to assumptions in VIU calculations and performed stress testing for reasonably possible changes to the discount rate and market values. **Impairment of goodwill and investments in subsidiary undertakings** We assessed the appropriateness of the Group's methodology for testing the impairment of goodwill and investments in subsidiary undertakings for compliance with the accounting standards. For goodwill, we assessed the appropriateness of the cash-generating units identified by management, including the change as a result of the Group's organisational structure effective 1 January 2021. We tested the mathematical accuracy of the VIU model and engaged our specialists to support the audit team in assessing reasonableness of the regulatory haircut adjustment[1] to future profitability forecasts and calculating an independent range for assumptions underlying the VIU calculations, such as the discount rate and long-term growth rate for each cash generating unit. We also reconciled the future profitability forecasts to the Group's approved Corporate Plan ('the Plan'). We performed audit procedures to assess the reasonableness of the forecasts by reviewing the Group Strategy, challenging key assumptions underpinning the Plan, reviewing the feasibility of management actions necessary to achieve the Plan, testing the reliability of the Group's historical forecasting and benchmarking key metrics against broker reports published for comparable businesses. We assessed the appropriateness of goodwill disclosures in accordance with IAS 36. 1 The forecast profits are haircut using an internal risk appetite and forecast RWA, to reflect the amount of capital to be retained by each CGU before profits may be distributed.

Our conclusions

Impairment of aircraft

We concluded that management's methodology, judgement and assumptions related to the impairment assessment of aircraft were reasonable and in accordance with IAS and EU IFRS. We highlighted the following matters to the Audit Committee:

- Current market values and residual values were appropriate based on independently sourced market data; and
- The discount rate was within our independent expectation of a reasonable range, with due regard to the risks facing the aviation industry and the characteristics of the Group's portfolio of aircraft.

We concluded that the valuation of the aircraft portfolio was not materially misstated.

Impairment of goodwill and investments in subsidiary undertakings

We concluded that the goodwill balance as at 31 December 2021 is not materially misstated. We also concluded that the investments in subsidiary undertakings in Company financial statements is not materially misstated. We are satisfied that the change in cash-generating units, management methodologies, judgements and assumptions supporting the carrying value were reasonable and in accordance with IAS and EU IFRS.

We concluded that the disclosures were appropriate.

Risk	Our response to the risk

Basis of accounting and impairment assessment of China Bohai Bank (Interest in Associate)

Refer to the Audit Committee Report (page 118); Accounting policies (page 407); and Note 32 of the financial statements

Interest in Associate – China Bohai Bank $1,917 million (2020: $2,025 million)

Other impairment – China Bohai Bank – $300 million (2020: nil).

We focused on judgements and estimates, including the appropriateness of the equity accounting treatment under IAS 28 and the assessment of impairment.

Basis of accounting

The Group holds a 16.26% stake in China Bohai Bank and equity accounts for the investment as an associate, on the grounds that the Group has assessed that it exercises significant influence over China Bohai Bank.

IAS 28 states that if the entity holds, directly or indirectly, less than 20% of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated.

There is a risk that the equity accounting treatment may not be appropriate, if the Group cannot demonstrate that it exerts significant influence over China Bohai Bank.

Impairment testing

At 31 December 2021, the China Bohai Bank's market capitalisation was at a significant discount compared to the carrying value of the investment, which represents an indicator of impairment.

Impairment of the investment in China Bohai Bank is determined by comparing the carrying value to the VIU. Where the recoverable amount is based on VIU, this is modelled by reference to future cashflow forecasts (profit including a regulatory capital haircut adjustment), discount rates and macroeconomic assumptions such as long-term growth rates.

Consequently, there is a risk that if the judgements and assumptions underpinning the impairment assessments are inappropriate, then the investment in China Bohai Bank may be misstated.

The risk has increased in current year in the context of economic developments in China as well as Bohai's financial performance in 2021.

Our response to the risk

Basis of accounting

We evaluated the facts and circumstances that the Group presented to demonstrate its ability to exert significant influence over the management, and financial and operating policies of China Bohai Bank, through Board representation, membership of Board Committees and the sharing of industry and technical advice.

Impairment testing

We assessed the appropriateness of the Group's VIU methodology for testing the impairment of the investment in China Bohai Bank for compliance with the accounting standards. We tested the mathematical accuracy of the VIU model and engaged our valuation specialists to support the audit team in calculating an independent range for the assumptions underlying the VIU calculations, such as the discount rate and long-term growth rate.

We performed audit procedures to assess the reasonableness of the Group's forecast of the future cashflows relating to Bohai, by reviewing management's assessment, benchmarking the forecasts to broker reports published for comparable companies and challenging management with regard to the relevance and reliability of historical data when preparing their assessment.

We assessed the appropriateness of disclosures in the annual report in relation to the impact of reasonably possible changes in key assumptions on the carrying values of the investment in Bohai.

Our conclusions

We concluded that the Group continues to maintain significant influence over China Bohai Bank as at 31 December 2021.

We concluded that the Interest in Associate – China Bohai Bank balance as at 31 December 2021 was not materially misstated.

We concluded that the disclosures in the annual report appropriately reflect the sensitivity of the carrying value to reasonably possible changes in key assumptions.

Risk	Our response to the risk
Valuation of financial instruments held at fair value with higher risk characteristics Refer to the Audit Committee Report (page 118); Accounting policies (page 339); and Note 13 of the financial statements. At 31 December 2021, the Group reported financial assets measured at fair value of $303,678 million, and financial liabilities at fair value of $138,596 million, of which financial assets of $4,116 million and financial liabilities of $1,653 million are classified as Level 3 in the fair value hierarchy. The fair value of financial instruments with higher risk characteristics involves the use of management judgement in the selection of valuation models and techniques, pricing inputs and assumptions and fair value adjustments. A higher level of estimation uncertainty is involved for financial instruments valued using complex models, pricing inputs that have limited observability, and fair value adjustments, including the Credit Valuation Adjustment and Debit Valuation Adjustment, in relation to derivative transactions with counterparties where credit spreads are less readily able to be determined. We considered the following portfolios presented a higher level of estimation uncertainty: • Level 3 derivative financial instruments and a portfolio of Level 2 derivative financial instruments due to the use of complex models or illiquid pricing inputs, and • Unlisted equity investments, loans at fair value, debt and other financial instruments classified in Level 3 with unobservable pricing inputs. The level of risk remains consistent with the prior year.	We evaluated the design and operating effectiveness of controls relating to the valuation of financial instruments, including independent price verification, model review and approval, fair value adjustments, income statement analysis and reporting. Among other procedures, we engaged our valuation specialists to assist the audit team in performing the following procedures: • Test complex model-dependent valuations by independently revaluing a sample of Level 3 and complex Level 2 derivative financial instruments, in order to assess the appropriateness of models and the adequacy of assumptions and inputs used by the Group; • Test valuations of other financial instruments with higher estimation uncertainty, such as unlisted equity investments, loans at fair value, debt and other financial instruments. We compared management's valuation to our own independently developed range, where appropriate; • Assessed the appropriateness of pricing inputs as part of the Independent Price Verification process; and • Compared the methodology used for fair value adjustments to current market practice. We revalued a sample of valuation adjustments, compared funding and credit spreads to third party data and challenged the basis for determining illiquid credit spreads. Where material differences between our independent valuation and management's valuation were outside our thresholds, we performed additional testing to assess the impact on the valuation of financial instruments.

Our conclusions

We concluded that assumptions used by management to estimate the fair value of financial instruments with higher risk characteristics and the recognition of related income were reasonable. We highlighted the following matters to the Audit Committee:

- Complex model-dependent valuations were appropriate based on the output of our independent revaluations;
- Fair values of derivative transactions, unlisted equity investments, loans, debt and other financial instruments valued using pricing information with limited observability were not materially misstated as at 31 December 2021, based on the output of our independent calculations; and
- Valuation adjustments in respect of credit, funding and other risks applied to derivative portfolios and debt securities issued were appropriate, based on our analysis of market data and benchmarking of pricing information.

The KAMs remain consistent from prior year.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be $195 million (2020: $144 million), which is 5% (2020: 5%) of adjusted PBT. This reflects actual PBT adjusted for non-recurring item relating to restructuring, regulatory fine and net gain on businesses disposed/held for sale. We believe that adjusted PBT provides us with the most appropriate measure for the users of the financial statements, given the Group is profit making; it is consistent with the wider industry and is the standard for listed and regulated entities and we believe it reflects the most useful measure for users of the financial statements. We also believe that the adjustments are appropriate as they relate to material non-recurring items.

Starting basis

- Statutory profit before tax – $3,347m

Adjustments

- Restructuring – $507m
- Regulatory fine – $62m
- Net gain on businesses disposed/held for sale – ($20m)

Materiality

- Totals $3,896m Adjusted PBT
- Materiality of $195m (5% of Adjusted PBT)

We determined materiality for the Company to be $176 million (2020: $130 million) which is 0.33% (2020: 0.25%) of the equity of the Company. We believe that equity provides us with the most appropriate measure for the users of the Company's financial statements, given that the Company is primarily a holding company.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2020: 50%) of our planning materiality, namely $98 million (2020: $72 million). We have set performance materiality at this percentage based on a variety of risk assessment factors such as the expectation of misstatements, internal control environment considerations and other factors such as the global complexity of the Group.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative size and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was $8m to $29m (2020: $7m to $22m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $10 million (2020: $7 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 293, including the Strategic report (page 2 to 87), the Directors' report (page 88 to 140) and the information not marked as 'audited' in the Directors' remuneration report (page 141 to 190) and the Risk and capital review section (page 194 to 293), and the Supplementary information (page 440 to 468), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate;

- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities;
- Directors' statement on fair, balanced and understandable;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and;
- The section describing the work of the Audit Committee.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 191, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK-adopted IAS and EU IFRS, the Companies Act 2006 and the UK Corporate Governance Code, the Financial Conduct Authority (FCA) Listing Rules, the Main Board Listing Rules of the Hong Kong Stock Exchange), regulations and supervisory requirements of the Prudential Regulation Authority (PRA), FRC, FCA and other overseas regulatory requirements, including but not limited to regulations in its major markets such as Hong Kong, India, Singapore, the United States of America, and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to regulatory capital and liquidity, conduct, financial crime including anti-money laundering, sanctions and market abuse recognising the financial and regulated nature of the Group's activities.
- We understood how the Group is complying with those frameworks by performing a combination of inquiries of senior management and those charged with governance as required by auditing standards, review of board and committee meeting minutes, gaining an understanding of the Group's approach to governance, inspection of regulatory correspondences in the year and engaging with internal and external legal counsels. We also engaged EY financial crime and forensics specialists to perform procedures on areas relating to anti-money laundering, whistleblowing, and sanctions. Through these procedures, we became aware of actual or suspected non-compliance. The identified actual or suspected non-compliance was not sufficiently significant to our audit that would have resulted in being identified as a key audit matter.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. Our procedures to address the risks identified also included incorporation of unpredictability into the nature, timing and/or extent of our testing, challenging assumptions and judgements made by management in their significant accounting estimates and journal entry testing.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of the Group's internal and external legal counsel, money laundering reporting officer, internal audit, certain senior management executives and focused testing on a sample basis, including journal entry testing. We also performed inspection of key regulatory correspondence from the relevant regulatory authorities as well as review of board and committee minutes.

- For instances of actual or suspected non-compliance with laws and regulations, which have a material impact on the financial statements, these were communicated by management to the Group audit engagement team and component teams (where applicable) who performed audit procedures such as inquiries with management and external legal counsel, sending confirmations to external lawyers, substantive testing and meeting with regulators. Where appropriate, we involved specialists from our firm to support the audit team.
- The Group is authorised to provide banking, insurance, mortgages and home finance, consumer credit, pensions, investments and other activities. The Group operates in the banking industry which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the Group audit engagement team, the component teams and the shared service centre teams to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were re-appointed by the Company at the Annual General Meeting on 12 May 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods.
- The period of total uninterrupted engagement is two years, covering the years ended 31 December 2020 to 31 December 2021.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

David Canning Jones (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

17 February 2022

Consolidated income statement

For the year ended 31 December 2021

	Notes	2021 $million	2020 $million
Interest income		**10,246**	12,292
Interest expense		**(3,448)**	(5,440)
Net interest income	3	**6,798**	6,852
Fees and commission income		**4,458**	3,865
Fees and commission expense		**(736)**	(705)
Net fee and commission income	4	**3,722**	3,160
Net trading income	5	**3,431**	3,672
Other operating income	6	**750**	1,070
Operating income		**14,701**	14,754
Staff costs		**(7,668)**	(6,886)
Premises costs		**(387)**	(412)
General administrative expenses		**(1,688)**	(1,831)
Depreciation and amortisation		**(1,181)**	(1,251)
Operating expenses	7	**(10,924)**	(10,380)
Operating profit before impairment losses and taxation		**3,777**	4,374
Credit impairment	8	**(254)**	(2,325)
Goodwill, property, plant and equipment and other impairment	9	**(372)**	(587)
Profit from associates and joint ventures	32	**196**	151
Profit before taxation		**3,347**	1,613
Taxation	10	**(1,034)**	(862)
Profit for the year		**2,313**	751
Profit attributable to:			
Non-controlling interests	29	**(2)**	27
Parent company shareholders		**2,315**	724
Profit for the year		**2,313**	751
		cents	cents
Earnings per share:			
Basic earnings per ordinary share	12	**61.3**	10.4
Diluted earnings per ordinary share	12	**60.4**	10.3

The notes on pages 316 to 437 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Notes	2021 $million	2020 $million
Profit for the year		**2,313**	751
Other comprehensive (loss)/income:			
Items that will not be reclassified to income statement:		**309**	(9)
Own credit gains/(losses) on financial liabilities designated at fair value through profit or loss		**43**	(55)
Equity instruments at fair value through other comprehensive income		**169**	62
Actuarial gains on retirement benefit obligations	30	**179**	1
Taxation relating to components of other comprehensive income	10	**(82)**	(17)
Items that may be reclassified subsequently to income statement:		**(1,081)**	922
Exchange differences on translation of foreign operations:			
Net (losses)/gains taken to equity		**(791)**	657
Net gains/(losses) on net investment hedges		**118**	(287)
Reclassified to income statement on sale of joint venture		**–**	246
Share of other comprehensive income/(loss) from associates and joint ventures		**10**	(37)
Debt instruments at fair value through other comprehensive income:			
Net valuation (losses)/gains taken to equity		**(386)**	815
Reclassified to income statement		**(157)**	(431)
Net impact of expected credit losses		**31**	21
Cash flow hedges:			
Net losses taken to equity		**(1)**	(25)
Reclassified to income statement	14	**21**	17
Taxation relating to components of other comprehensive income	10	**74**	(54)
Other comprehensive (loss)/income for the year, net of taxation		**(772)**	913
Total comprehensive income for the year		**1,541**	1,664
Total comprehensive income attributable to:			
Non-controlling interests	29	**(17)**	15
Parent company shareholders		**1,558**	1,649
Total comprehensive income for the year		**1,541**	1,664

Consolidated balance sheet

As at 31 December 2021

	Notes	2021 $million	2020 $million
Assets			
Cash and balances at central banks	13,35	**72,663**	66,712
Financial assets held at fair value through profit or loss	13	**129,121**	106,787
Derivative financial instruments	13,14	**52,445**	69,467
Loans and advances to banks	13,15	**44,383**	44,347
Loans and advances to customers	13,15	**298,468**	281,699
Investment securities	13	**163,437**	153,315
Other assets	20	**49,932**	48,688
Current tax assets	10	**766**	808
Prepayments and accrued income		**2,176**	2,122
Interests in associates and joint ventures	32	**2,147**	2,162
Goodwill and intangible assets	17	**5,471**	5,063
Property, plant and equipment	18	**5,616**	6,515
Deferred tax assets	10	**859**	919
Assets classified as held for sale	21	**334**	446
Total assets		**827,818**	789,050
Liabilities			
Deposits by banks	13	**30,041**	30,255
Customer accounts	13	**474,570**	439,339
Repurchase agreements and other similar secured borrowing	13	**3,260**	1,903
Financial liabilities held at fair value through profit or loss	13	**85,197**	68,373
Derivative financial instruments	13,14	**53,399**	71,533
Debt securities in issue	13,22	**61,293**	55,550
Other liabilities	23	**44,314**	47,904
Current tax liabilities	10	**348**	660
Accruals and deferred income		**4,651**	4,546
Subordinated liabilities and other borrowed funds	13,27	**16,646**	16,654
Deferred tax liabilities	10	**800**	695
Provisions for liabilities and charges	24	**453**	466
Retirement benefit obligations	30	**210**	443
Total liabilities		**775,182**	738,321
Equity			
Share capital and share premium account	28	**7,022**	7,058
Other reserves		**11,805**	12,688
Retained earnings		**27,184**	26,140
Total parent company shareholders' equity		**46,011**	45,886
Other equity instruments	28	**6,254**	4,518
Total equity excluding non-controlling interests		**52,265**	50,404
Non-controlling interests	29	**371**	325
Total equity		**52,636**	50,729
Total equity and liabilities		**827,818**	789,050

The notes on pages 316 to 437 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 17 February 2022 and signed on its behalf by:

José Viñals
Group Chairman

Bill Winters
Group Chief Executive

Andy Halford
Group Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Ordinary share capital and share premium account $million	Preference share capital and share premium account $million	Capital and merger reserves[1] $million	Own credit adjustment reserve $million	Fair value through other comprehensive income reserve – debt $million	Fair value through other comprehensive income reserve – equity $million	Cash flow hedge reserve $million	Translation reserve $million	Retained earnings $million	Parent company shareholders' equity $million	Other equity instruments $million	Non-controlling interests $million	Total $million
As at 1 January 2020	5,584	1,494	17,187	2	197	150	(59)	(5,792)	26,072	44,835	5,513	313	50,661
Profit for the year	–	–	–	–	–	–	–	–	724	724	–	27	751
Other comprehensive (loss)/income	–	–	–	(54)	332	(2)	7	631	11[2]	925	–	(12)	913
Distributions	–	–	–	–	–	–	–	–	–	–	–	(20)	(20)
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	–	–	992	–	992
Redemption of other equity instruments	–	–	–	–	–	–	–	–	(13)	(13)	(1,987)	–	(2,000)
Treasury shares purchased	–	–	–	–	–	–	–	–	(98)	(98)	–	–	(98)
Treasury shares issued	–	–	–	–	–	–	–	–	8	8	–	–	8
Share option expenses	–	–	–	–	–	–	–	–	133	133	–	–	133
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	–	(395)	(395)	–	–	(395)
Share buy-back[3]	(20)	–	20	–	–	–	–	–	(242)	(242)	–	–	(242)
Other movements	–	–	–	–	–	–	–	69	(60)[4]	9	–	17[5]	26
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/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,315**	**2,315**	**–**	**(2)**	**2,313**
Other comprehensive income/(loss)	**–**	**–**	**–**	**37**	**(426)**	**101**	**18**	**(662)**	**175[2]**	**(757)**	**–**	**(15)**	**(772)**
Distributions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(31)**	**(31)**
Other equity instruments issued, net of expenses	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,728**	**–**	**2,728**
Redemption of other equity instruments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(51)**	**(51)**	**(992)**	**–**	**(1,043)**
Treasury shares purchased	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(242)**	**(242)**	**–**	**–**	**(242)**
Treasury shares issued	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7**	**7**	**–**	**–**	**7**
Share option expenses	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**147**	**147**	**–**	**–**	**147**
Dividends on ordinary shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(374)**	**(374)**	**–**	**–**	**(374)**
Dividends on preference shares and AT1 securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(410)**	**(410)**	**–**	**–**	**(410)**
Share buy-back[6,7]	**(39)**	**–**	**39**	**–**	**–**	**–**	**–**	**–**	**(506)**	**(506)**	**–**	**–**	**(506)**
Other movements	**3**	**–**	**–**	**–**	**–**	**–**	**–**	**10**	**(17)[8]**	**(4)**	**–**	**94[9]**	**90**
As at 31 December 2021	**5,528**	**1,494**	**17,246**	**(15)**	**103**	**249**	**(34)**	**(5,744)**	**27,184**	**46,011**	**6,254**	**371**	**52,636**

1 Includes capital reserve of $5 million, capital redemption reserve of $130 million and merger reserve of $17,111 million

2 Comprises actuarial gain, net of taxation on Group defined benefit scheme

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 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 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)

5 Movement related to non-controlling interest from Mox Bank Limited

6 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 $2 million of fees and stamp duty). 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

7 On 3 August 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 $20 million, and the total consideration paid was $251 million (including $1 million of fees and stamp duty). The total number of shares purchased was 39,914,763 representing 1.28 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

8 Movement related to Translation adjustment and AT1 securities charges

9 Movements related to non-controlling interest from Mox Bank Limited ($21 million), Trust Bank Singapore Limited ($70 million) and Zodia Markets Holdings Limited ($3 million)

Note 28 includes a description of each reserve.

The notes on pages 316 to 437 form an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2021

	Notes	Group 2021 $million	Group 2020 $million	Company 2021 $million	Company 2020 $million
Cash flows from operating activities:					
Profit before taxation		**3,347**	1,613	**2,090**	666
Adjustments for non-cash items and other adjustments included within income statement	34	**2,104**	4,342	**(1,201)**	19
Change in operating assets	34	**(37,904)**	(38,064)	**(5,366)**	(8,451)
Change in operating liabilities	34	**45,952**	54,437	**3,127**	6,415
Contributions to defined benefit schemes	30	**(120)**	(123)	**–**	–
UK and overseas taxes paid	10	**(1,161)**	(971)	**–**	3
Net cash from/(used in) operating activities		**12,218**	21,234	**(1,350)**	(1,348)
Cash flows from investing activities:					
Internally generated capitalised software	17	**(989)**	–	**–**	
Purchase of property, plant and equipment	18	**(352)**	(1,270)	**–**	–
Disposal of property, plant and equipment	18	**816**	178	**–**	–
Disposal of held for sale property, plant and equipment	21	**149**	–	**–**	–
Acquisition of investment in subsidiaries, associates, and joint ventures, net of cash acquired	32	**(35)**	(52)	**–**	–
Dividends received from subsidiaries, associates and joint ventures	32	**38**	–	**2,244**	1,110
Disposal of joint ventures, net of cash acquired	21	**–**	1,066	**–**	–
Purchase of investment securities		**(299,468)**	(285,026)	**–**	–
Disposal and maturity of investment securities		**290,846**	280,626	**1,650**	2,590
Net cash (used in)/from investing activities		**(8,995)**	(4,478)	**3,894**	3,700
Cash flows from financing activities:					
Exercise of share options		**7**	8	**7**	8
Purchase of own shares		**(242)**	(98)	**(242)**	(98)
Cancellation of shares including share buy-back		**(506)**	(242)	**(506)**	(242)
Premises and equipment lease liability principal payment		**(278)**	(319)	**–**	–
Issue of Additional Tier 1 Capital, net of expenses	28	**2,728**	992	**2,728**	990
Redemption of Additional Tier 1 Capital	28	**(1,043)**	(2,000)	**(1,043)**	(2,000)
Gross proceeds from issue of subordinated liabilities	34	**1,137**	2,473	**1,137**	2,473
Interest paid on subordinated liabilities	34	**(580)**	(601)	**(580)**	(537)
Repayment of subordinated liabilities	34	**(546)**	(2,446)	**(546)**	(1,402)
Proceeds from issue of senior debts	34	**10,944**	9,953	**2,250**	2,193
Repayment of senior debts	34	**(9,945)**	(4,305)	**(5,408)**	(2,106)
Interest paid on senior debts	34	**(690)**	(627)	**(504)**	(575)
Net cash inflow from non-controlling interest		**94**	–	**–**	–
Dividends paid to non-controlling interests, preference shareholders and AT1 securities		**(441)**	(415)	**(410)**	(395)
Dividends paid to ordinary shareholders		**(374)**	–	**(374)**	–
Net cash from/(used in) financing activities		**265**	2,373	**(3,491)**	(1,691)
Net increase/(decrease) in cash and cash equivalents		**3,488**	19,129	**(947)**	661
Cash and cash equivalents at beginning of the year		**97,874**	77,454	**12,283**	11,622
Effect of exchange rate movements on cash and cash equivalents		**(1,757)**	1,291	**–**	–
Cash and cash equivalents at end of the year[1]	35	**99,605**	97,874	**11,336**	12,283

1 Comprises cash and balances at central banks $72,663 million (31 December 2020: $66,712 million), Treasury bills and other eligible bills $9,132 million (31 December 2020: $10,499 million), loans and advances to banks $24,788 million (31 December 2020: $25,758 million), trading securities $1,174 million (31 December 2020: $2,239 million) less restricted balances $8,152 million (31 December 2020: $7,341 million)

Interest received was $10,167 million (31 December 2020: $12,619 million), interest paid was $3,591 million (31 December 2020: $5,809 million).

Company balance sheet

For the year ended 31 December 2021

	Notes	2021 $million	2020 $million
Non-current assets			
Investments in subsidiary undertakings	32	**60,429**	57,407
Current assets			
Derivative financial instruments	39	**320**	971
Financial assets held at fair value through profit or loss	39	**15,647**	12,783
Investment securities	39	**9,424**	11,146
Amounts owed by subsidiary undertakings	39	**11,336**	12,283
Taxation		**–**	9
Total current assets		**36,727**	37,192
Current liabilities			
Derivative financial instruments	39	**339**	360
Amounts owed to subsidiary undertakings		**–**	212
Financial liabilities held at fair value through profit or loss	39	**11,804**	6,552
Other creditors		**462**	465
Total current liabilities		**12,605**	7,589
Net current assets		**24,122**	29,603
Total assets less current liabilities		**84,551**	87,010
Non-current liabilities			
Debt securities in issue	39	**16,809**	20,701
Subordinated liabilities and other borrowed funds	39	**13,830**	14,783
Total non-current liabilities		**30,639**	35,484
Total assets less liabilities		**53,912**	51,526
Equity			
Share capital and share premium account	28	**7,022**	7,058
Other reserves		**17,220**	17,178
Retained earnings		**23,418**	22,774
Total shareholders' equity		**47,660**	47,010
Other equity instruments	28	**6,252**	4,516
Total equity		**53,912**	51,526

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these financial statements. The Company profit for the year after tax is $2,081 million (31 December 2020: $659 million). Please see Note 39 Standard Chartered PLC (Company) for details of the Group reorganisation.

The notes on pages 316 to 437 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 17 February 2022 and signed on its behalf by:

José Viñals
Group Chairman

Bill Winters
Group Chief Executive

Andy Halford
Group Chief Financial Officer

Company statement of changes in equity

For the year ended 31 December 2021

	Share capital and share premium account $million	Capital and merger reserve[1] $million	Own credit adjustment reserve $million	Cash flow hedge reserve $million	Retained earnings $million	Other equity instruments $million	Total $million
As at 1 January 2020	7,078	17,187	(10)	–	22,722	5,513	52,490
Profit for the year	–	–	–	–	659	–	659
Other comprehensive loss	–	–	(8)	(11)	–	–	(19)
Other equity instruments issued, net of expenses	–	–	–	–	–	990	990
Treasury shares purchased	–	–	–	–	(98)	–	(98)
Treasury shares issued	–	–	–	–	8	–	8
Share option expense	–	–	–	–	133	–	133
Dividends on preference share and AT1 securities	–	–	–	–	(395)	–	(395)
Redemption of other equity instruments				–	(13)	(1,987)	(2,000)
Share buy-back[2]	(20)	20	–	–	(242)		(242)
As at 31 December 2020	7,058	17,207	(18)	(11)	22,774	4,516	51,526
Profit for the year[3]	**–**	**–**	**–**	**–**	**2,081**	**–**	**2,081**
Other comprehensive income/(loss)	**–**	**–**	**4**	**(1)**	**–**	**–**	**3**
Other equity instruments issued, net of expenses	**–**	**–**	**–**	**–**	**–**	**2,728**	**2,728**
Treasury shares purchased	**–**	**–**	**–**	**–**	**(242)**	**–**	**(242)**
Treasury shares issued	**–**	**–**	**–**	**–**	**7**	**–**	**7**
Share option expense	**–**	**–**	**–**	**–**	**147**	**–**	**147**
Dividends on ordinary shares	**–**	**–**	**–**	**–**	**(374)**	**–**	**(374)**
Dividends on preference share and AT1 securities	**–**	**–**	**–**	**–**	**(410)**	**–**	**(410)**
Redemption of other equity instruments				**–**	**(51)**	**(992)**	**(1,043)**
Share buy-back[4,5]	**(39)**	**39**	**–**	**–**	**(506)**		**(506)**
Other movements[6]	**3**	**–**	**–**	**–**	**(8)**		**(5)**
As at 31 December 2021	**7,022**	**17,246**	**(14)**	**(12)**	**23,418**	**6,252**	**53,912**

1 Includes capital reserve of $5 million, capital redemption reserve of $130 million and merger reserve of $17,111 million

2 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 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

3 Includes dividend received of $1,511 million from Standard Chartered Holdings Limited

4 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 $2 million of fees and stamp duty). 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

5 On 3 August 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 $20 million, and the total consideration paid was $251 million (including $1 million of fees and stamp duty). The total number of shares purchased was 39,914,763 representing 1.28 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

6 Movement mainly related to AT1 securities charges

Note 28 includes a description of each reserve.

The notes on pages 316 to 437 form an integral part of these financial statements.

Contents – Notes to the financial statements

Notes to the financial statements

1. Accounting policies

Statement of compliance

The Group financial statements consolidate Standard Chartered PLC (the Company) and its subsidiaries (together referred to as the Group) and equity account the Group's interests in associates and jointly controlled entities. The Company financial statements present information about the Company as a separate entity.

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

There are no significant differences between UK-adopted international accounting standards and EU IFRS.

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

a) Risk review: Disclosures marked as 'audited' from the start of the Credit Risk section (page 200) to the end of Other principal risks in the same section (page 257).

b) Capital review: Tables marked as 'audited' from the start of 'CRD Capital base' to the end of 'Movement in total capital', excluding 'Total risk-weighted assets' (pages 289 to 290).

Basis of preparation

The Group and Company financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of cash-settled share-based payments, fair value through other comprehensive income, and financial assets and liabilities (including derivatives) at fair value through profit or loss.

The consolidated financial statements are presented in United States dollars ($), being the presentation currency of the Group and functional currency of the Company, and all values are rounded to the nearest million dollars, except when otherwise indicated.

The Group has assessed the impact of climate risk on the Group's financial report. As set out on page 67 of the Task Force for Climate related Financial Disclosures and pages 278 and 279 of the Principal Risks and Uncertainties section of the Annual Report, the Group has determined climate risk to be a Primary Integrated Risk Type. The areas of impact were credit risk and the impact on lending portfolios; ESG features within issued loans and bonds; physical risk on our mortgage lending portfolio; and, the corporate plan, in respect of which forward looking cash flows impact the recoverability of certain assets, including of goodwill, deferred tax assets and investments in subsidiary undertakings.

This assessment was undertaken by considering the maturity profile of the loan portfolio which is majority shorter term. Transition risk, as our clients move to lower carbon emitting revenues is considered with reference to client transition pathways and manifests over a longer term than the maturity of the loan book (up to 2050). Physical risk is already included within the majority of our mortgage lending and we have applied scenario analysis against the pathways of different temperature additions and country policy scenarios. We also assess the impact of climate risk on the classification of financial instruments under IFRS 9, when Environmental, Sustainability or Governance (ESG) triggers may affect the cash flows received by the Group under the contractual terms of the instrument.

Our corporate plan has a 5 year outlook and already includes where we have committed to transitioning away from certain high carbon sectors (i.e. coal), offset by transition finance opportunities. This is shorter term than many of the climate scenario outlooks but seeks to capture the nearer term performance as required by recoverability models.

We have further participated in the first Climate Biennial Exploratory Scenario (CBES) to explore key risks from climate change, being transition risk of the economy as it moves away from carbon and the physical risks associated with higher global temperatures. Focussed on credit risk in the loans and advances portfolio to corporate and institutional clients as well as personal customers over a thirty year time horizon. Estimates included the impact of transition risk on the Group's lending portfolios with impacts moving from temporarily lower growth up to recession and permanently lower growth.

Our process was limited in the context of this being an emerging area, particularly given of the availability of data and the sophistication of models, and so the potential impact of Climate Risk may not be fully reflected in these financial statements. The Group considers Climate Risk to have limited impact in the immediate term and as a longer term risk will be addressed through its business strategy and financial planning as the Group implements its net zero journey.

Significant accounting estimates and judgements

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty and judgement, are set out in the relevant disclosure notes for the following areas:

- Credit impairment, including evaluation of management overlays and post-model adjustments, and determination of probability weightings for Stage 3 individually assessed provisions (Note 8)
- Taxation (Note 10)
- Financial instruments measured at fair value (Note 13)
- Goodwill impairment (Note 17)
- Recoverable amounts for aircraft operating lease assets (Note 18)
- Provisions for liabilities and charges (Note 24)
- Investments in subsidiary undertakings, joint ventures and associates – China Bohai associate accounting and impairment analysis (Note 32)

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 17 Goodwill and intangible assets
- Risk review: various credit risk tables for change in segment policy
- Risk review: interest rate risk in the banking book
- Risk review: tables marked as 'audited' 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: market risk changes

New accounting standards adopted by the Group

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

The Group has adopted amendments to IFRS 16 that permit the Group not to assess whether a rent concession granted as a direct consequence of the COVID-19 pandemic is accounted for as a lease modification. In March 2021 the IASB extended the availability of the practical expedient by one year and this was endorsed by the UK Endorsement Board on 12 May 2021, therefore a rent concession is deemed to be a direct consequence of COVID-19 if and only if all the following criteria are met:

- A change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due up to and including 30 June 2022 (this includes the case where the change results in reduced lease payments before this date and increased lease payments after this date); and
- There is no substantive change to other terms and conditions of the lease

The amendments have not had a material effect on the Group's financial statements.

New accounting standards in issue but not yet effective

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued in May 2017 to replace IFRS 4 Insurance Contracts and to establish a comprehensive standard for inceptors of insurance policies. The effective date is 1 January 2023. The Group is assessing the likely implementation impact of 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.

1. Accounting policies continued

Going concern

These financial statements were approved by the Board of Directors on 17 February 2022. The directors have made an assessment of the Group's ability to continue as a going concern. This assessment has been made having considered the impact of COVID-19, macroeconomic and geopolitical headwinds, including:

- A review of the Group Strategy and Corporate Plan, both of which cover a year from the date of signing the annual report
- An assessment of the actual performance to date, loan book quality, credit impairment, legal, regulatory and compliance matters, and the updated annual 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-19 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 exercises 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 a period of 12 months from 17 February 2022. For this reason, the Group continues to adopt the going concern basis of accounting for preparing the financial statements.

2. Segmental information

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.

The following should also be noted:

- Transactions and funding between the segments are carried out on an arm's-length basis
- Corporate Centre costs represent stewardship and central management services roles and activities that are not directly attributable to business or country operations
- Treasury markets, joint ventures and associate investments are managed in the regions and are included within the applicable region. However, they are not managed directly by a client segment and are therefore included in the Central & other items segment

2. Segmental information continued

Basis of preparation

The analysis reflects how the client segments and geographic regions are managed internally. This is described as the Management View (on an underlying basis) and is principally the location from which a client relationship is managed, which may differ from where it is financially booked and may be shared between businesses and/or regions. In certain instances this approach is not appropriate and a Financial View is disclosed, that is, the location in which the transaction or balance was booked. Typically, the Financial View is used in areas such as the Market and Liquidity Risk reviews where actual booking location is more important for an assessment. Segmental information is therefore on a Management View unless otherwise stated.

Restructuring items excluded from underlying results

The Group'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 $507 million for 2021 reflects, the impact of actions to transform the organisation to improve productivity, primarily redundancy related charges, the majority of which, including an early retirement programme in Korea, were booked in 2021.

Other restructuring items include a $62 million regulatory financial penalty and a $20 million fair-value gain relating to a SC Ventures investment.

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

Profit before taxation (PBT)

	2021					
	Underlying $million	**Regulatory Fine $million**	**Restructuring $million**	**Net gain on businesses disposed/ held for sale $million**	**Goodwill impairment $million**	**Statutory $million**
Operating income	**14,713**	**–**	**(32)**	**20**	**–**	**14,701**
Operating expenses	**(10,375)**	**(62)**	**(487)**	**–**	**–**	**(10,924)**
Operating profit/(loss) before impairment losses and taxation	**4,338**	**(62)**	**(519)**	**20**	**–**	**3,777**
Credit impairment	**(263)**	**–**	**9**	**–**	**–**	**(254)**
Other impairment	**(355)**	**–**	**(17)**	**–**	**–**	**(372)**
Profit from associates and joint ventures	**176**	**–**	**20**	**–**	**–**	**196**
Profit/(loss) before taxation	**3,896**	**(62)**	**(507)**	**20**	**–**	**3,347**

	2020					
	Underlying $million	Regulatory Fine $million	Restructuring $million	Net loss on businesses disposed/ held for sale $million	Goodwill impairment $million	Statutory $million
Operating income	14,765	–	27	(38)	–	14,754
Operating expenses	(10,142)	14	(252)	–	–	(10,380)
Operating profit/(loss) before impairment losses and taxation	4,623	14	(225)	(38)	–	4,374
Credit impairment	(2,294)	–	(31)	–	–	(2,325)
Other impairment	15	–	(113)	–	(489)	(587)
Profit from associates and joint ventures	164	–	(13)	–	–	151
Profit/(loss) before taxation	2,508	14	(382)	(38)	(489)	1,613

2. Segmental information continued

Underlying performance by client segment

	2021			
	Corporate, Commercial & Institutional Banking $million	Consumer Private & Business Banking $million	Central & other items (segment) $million	Total $million
Operating income	8,407	5,733	573	14,713
External	7,952	5,373	1,388	14,713
Inter-segment	455	360	(815)	–
Operating expenses	(5,278)	(4,377)	(720)	(10,375)
Operating profit/(loss) before impairment losses and taxation	3,129	1,356	(147)	4,338
Credit impairment	44	(285)	(22)	(263)
Other impairment	(49)	–	(306)	(355)
Profit from associates and joint ventures	–	–	176	176
Underlying profit/(loss) before taxation	3,124	1,071	(299)	3,896
Restructuring	(114)	(235)	(158)	(507)
Goodwill impairment	–	–	–	–
Other items	–	–	(42)	(42)
Statutory profit/(loss) before taxation	3,010	836	(499)	3,347
Total assets	405,839	139,992	281,987	827,818
Of which: loans and advances to customers	208,729	136,565	24,409	369,703
loans and advances to customers	139,335	136,498	22,635	298,468
loans held at fair value through profit or loss (FVTPL)[2]	69,394	67	1,774	71,235
Total liabilities	481,397	182,941	110,844	775,182
Of which: customer accounts[3]	351,696	178,777	11,982	542,455

	2020 (Restated)[1]			
	Corporate, Commercial & Institutional Banking[1] $million	Consumer Private & Business Banking[1] $million	Central & other items (segment) $million	Total $million
Operating income	8,485	5,691	589	14,765
External	8,304	4,795	1,666	14,765
Inter-segment	181	896	(1,077)	–
Operating expenses	(5,003)	(4,230)	(909)	(10,142)
Operating profit/(loss) before impairment losses and taxation	3,482	1,461	(320)	4,623
Credit impairment	(1,529)	(741)	(24)	(2,294)
Other impairment	41	(10)	(16)	15
Profit from associates and joint ventures	–	–	164	164
Underlying profit/(loss) before taxation	1,994	710	(196)	2,508
Restructuring	(221)	(61)	(100)	(382)
Goodwill impairment	–	–	(489)	(489)
Other items	–	–	(24)	(24)
Statutory profit/(loss) before taxation	1,773	649	(809)	1,613
Total assets	388,303	131,783	268,964	789,050
Of which: loans and advances to customers	187,971	129,230	19,075	336,276
loans and advances to customers	133,541	129,095	19,063	281,699
loans held at fair value through profit or loss (FVTPL)[2]	54,430	135	12	54,577
Total liabilities	481,042	177,709	79,570	738,321
Of which: customer accounts[3]	310,779	173,506	7,869	492,154

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 Loans and advances includes reverse repurchase agreements and other similar secured lending of $61,282 million (31 December 2020: $45,200 million) held at fair value through profit or loss

3 Customer accounts include repurchase agreements and other similar secured borrowing of $58,594 million (31 December 2020: $43,918 million)

2. Segmental information continued

Operating income by client segment

	2021			
	Corporate, Commercial & Institutional Banking $million	Consumer Private & Business Banking $million	Central & other items (segment) $million	Total $million
Underlying operating income	8,407	5,733	573	14,713
Restructuring	9	–	(41)	(32)
Other items	–	–	20	20
Statutory operating income	8,416	5,733	552	14,701

	2020 (Restated)[1]			
	Corporate, Commercial & Institutional Banking[1] $million	Consumer Private & Business Banking[1] $million	Central & other items (segment) $million	Total $million
Underlying operating income	8,485	5,691	589	14,765
Restructuring	40	–	(13)	27
Other items	–	–	(38)	(38)
Statutory operating income	8,525	5,691	538	14,754

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

Underlying performance by region

	2021				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	10,448	2,446	2,003	(184)	14,713
Operating expenses	(6,773)	(1,623)	(1,485)	(494)	(10,375)
Operating profit/(loss) before impairment losses and taxation	3,675	823	518	(678)	4,338
Credit impairment	(434)	34	144	(7)	(263)
Other impairment	(300)	(1)	(18)	(36)	(355)
Profit from associates and joint ventures	175	–	–	1	176
Underlying profit/(loss) before taxation	3,116	856	644	(720)	3,896
Restructuring	(286)	(25)	(69)	(127)	(507)
Goodwill impairment	–	–	–	–	–
Other items	–	–	–	(42)	(42)
Statutory profit/(loss) before taxation	2,830	831	575	(889)	3,347
Total assets	483,950	57,405	277,008	9,455	827,818
Of which: loans and advances to customers	265,744	27,600	76,359	–	369,703
loans and advances to customers	243,861	25,177	29,430	–	298,468
loans held at fair value through profit or loss (FVTPL)[2]	21,883	2,423	46,929	–	71,235
Total liabilities	434,200	41,260	233,915	65,807	775,182
Of which: customer accounts[3]	355,792	34,701	151,962	–	542,455

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2. Segmental information continued

Underlying performance by region continued

	2020 (Restated)[1]				
	Asia[1] $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	10,382	2,364	1,922	97	14,765
Operating expenses	(6,357)	(1,683)	(1,383)	(719)	(10,142)
Operating profit/(loss) before impairment losses and taxation	4,025	681	539	(622)	4,623
Credit impairment	(1,484)	(654)	(161)	5	(2,294)
Other impairment	110	(14)	8	(89)	15
Profit from associates and joint ventures	163	–	–	1	164
Underlying profit/(loss) before taxation	2,814	13	386	(705)	2,508
Restructuring	(134)	(88)	(45)	(115)	(382)
Goodwill impairment	–	–	–	(489)	(489)
Other items	(43)	–	–	19	(24)
Statutory profit/(loss) before taxation	2,637	(75)	341	(1,290)	1,613
Total assets	467,212	58,069	253,438	10,331	789,050
Of which: loans and advances to customers	239,092	29,413	67,771	–	336,276
loans and advances to customers	226,157	28,214	27,328	–	281,699
loans held at fair value through profit or loss (FVTPL)[2]	12,935	1,199	40,443	–	54,577
Total liabilities	421,711	39,980	211,840	64,790	738,321
Of which: customer accounts[3]	334,623	32,106	125,425	–	492,154

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 Loans and advances includes reverse repurchase agreements and other similar secured lending of $61,282 million (31 December 2020: $45,200 million) held at fair value through profit or loss

3 Customer accounts include repurchase agreements and other similar secured borrowing of $58,594 million (31 December 2020: $43,918 million)

Operating income by region

	2021				
	Asia $million	**Africa & Middle East $million**	**Europe & Americas $million**	**Central & other items $million**	**Total $million**
Underlying operating income	**10,448**	**2,446**	**2,003**	**(184)**	**14,713**
Restructuring	**30**	**3**	**(30)**	**(35)**	**(32)**
Other items	**–**	**–**	**–**	**20**	**20**
Statutory operating income	**10,478**	**2,449**	**1,973**	**(199)**	**14,701**

	2020 (Restated)[1]				
	Asia[1] $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Underlying operating income	10,382	2,364	1,922	97	14,765
Restructuring	78	(2)	–	(49)	27
Other items	(43)	–	–	5	(38)
Statutory operating income	10,417	2,362	1,922	53	14,754

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. Segmental information continued

Additional segmental information (statutory)

	2021			
	Corporate, Commercial & Institutional Banking $million	**Consumer Private & Business Banking $million**	**Central & other items (segment) $million**	**Total $million**
Net interest income	**3,267**	**3,214**	**317**	**6,798**
Net fees and commission income	**1,784**	**2,003**	**(65)**	**3,722**
Net trading and other income	**3,365**	**516**	**300**	**4,181**
Operating income	**8,416**	**5,733**	**552**	**14,701**

	2020 (Restated)[1]			
	Corporate, Commercial & Institutional Banking[1] $million	Consumer Private & Business Banking[1] $million	Central & other items (segment) $million	Total $million
Net interest income	3,411	3,458	(17)	6,852
Net fees and commission income	1,477	1,716	(33)	3,160
Net trading and other income	3,637	517	588	4,742
Operating income	8,525	5,691	538	14,754

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

	2021				
	Asia $million	**Africa & Middle East $million**	**Europe & Americas $million**	**Central & other items $million**	**Total $million**
Net interest income	**5,069**	**1,190**	**490**	**49**	**6,798**
Net fees and commission income	**2,764**	**614**	**547**	**(203)**	**3,722**
Net trading and other income	**2,645**	**645**	**936**	**(45)**	**4,181**
Operating income	**10,478**	**2,449**	**1,973**	**(199)**	**14,701**

	2020 (Restated)[1]				
	Asia[1] $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Net interest income	4,993	1,223	316	320	6,852
Net fees and commission income	2,344	531	519	(234)	3,160
Net trading and other income	3,080	608	1,087	(33)	4,742
Operating income	10,417	2,362	1,922	53	14,754

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

	2021								
	Hong Kong $million	**Korea $million**	**China $million**	**Singapore $million**	**India $million**	**Indonesia $million**	**UAE $million**	**UK $million**	**US $million**
Net interest income	**1,422**	**724**	**589**	**742**	**706**	**90**	**229**	**220**	**198**
Net fees and commission income	**902**	**213**	**192**	**664**	**240**	**54**	**101**	**21**	**414**
Net trading and other income	**1,148**	**174**	**306**	**192**	**336**	**69**	**216**	**624**	**206**
Operating income	**3,472**	**1,111**	**1,087**	**1,598**	**1,282**	**213**	**546**	**865**	**818**

	2020								
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Net interest income	1,557	650	545	676	664	86	281	62	170
Net fees and commission income	760	175	163	515	202	66	113	61	371
Net trading and other income	1,235	236	175	367	379	156	173	824	242
Operating income	3,552	1,061	883	1,558	1,245	308	567	947	783

3. Net interest income

Accounting policy

Interest income for financial assets held at either fair value through other comprehensive income or amortised cost, and interest expense on all financial liabilities held at amortised cost is recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Where the estimates of cash flows have been revised, the carrying amount of the financial asset or liability is adjusted to reflect the actual and revised cash flows, discounted at the instruments original effective interest rate. The adjustment is recognised as interest income or expense in the period in which the revision is made.

Interest income for financial assets that are either held at fair value through other comprehensive income or amortised cost that have become credit-impaired subsequent to initial recognition (stage 3), is recognised using the original effective interest rate applied to the net carrying value. Interest income is therefore recognised on the amortised cost of the financial asset including expected credit losses. Should the credit risk on a stage 3 financial asset improve such that the financial asset is no longer considered credit-impaired, interest income recognition reverts to a computation based on the gross carrying value of the financial asset.

	2021 $million	2020 $million
Balances at central banks	**92**	113
Loans and advances to banks	**490**	801
Loans and advances to customers	**7,347**	8,473
Debt securities	**1,787**	2,325
Other eligible bills	**303**	495
Accrued on impaired assets (discount unwind)	**227**[1]	85
Interest income	**10,246**	12,292
Of which: financial instruments held at fair value through other comprehensive income	**1,541**	2,134
Deposits by banks	**136**	237
Customer accounts	**2,196**	3,671
Debt securities in issue	**566**	836
Subordinated liabilities and other borrowed funds	**497**	637
Interest expense on IFRS 16 lease liabilities	**53**	59
Interest expense	**3,448**	5,440
Net interest income	**6,798**	6,852

1 Includes a $171 million adjustment in relation to interest earned on impaired assets as required by IFRS9 Financial Instruments Recognition and Measurement

4. Net fees and commission

Accounting policy

Fees and commissions charged for services provided by the Group are recognised as or when the service is completed or significant act performed.

Loan syndication fees are recognised as revenue when the syndication has been completed and the Group retained no part of the loan package for itself, or retained a part at the same effective interest rate as for the other participants.

The Group can act as trustee or in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets and income of the Group.

4. Net fees and commission continued

The Group applies the following practical expedients:

- information on amounts of transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations at the end of the reporting period is not disclosed as almost all fee-earning contracts have an expected duration of less than one year
- promised consideration is not adjusted for the effects of a significant financing component as the period between the Group providing a service and the customer paying for it is expected to be less than one year
- incremental costs of obtaining a fee-earning contract are recognised upfront in 'Fees and commission expense' rather than amortised, if the expected term of the contract is less than one year

The determination of the services performed for the customer, the transaction price, and when the services are completed depends on the nature of the product with the customer. The main considerations on income recognition by product are as follows:

Transaction Banking

The Group recognises fee income associated with transactional trade and cash management at the point in time the service is provided. The Group recognises income associated with trade contingent risk exposures (such as letters of credit and guarantees) over the period in which the service is provided.

Payment of fees is usually received at the same time the service is provided. In some cases, letters of credit and guarantees issued by the Group have annual upfront premiums, which are amortised on a straight-line basis to fee income over the year.

Financial Markets

The Group recognises fee income at the point in time the service is provided. Fee income is recognised for a significant non-lending service when the transaction has been completed and the terms of the contract with the customer entitle the Group to the fee. Fees are usually received shortly after the service is provided.

Syndication fees are recognised when the syndication is complete. Fees are generally received before completion of the syndication, or within 12 months of the transaction date.

Securities services include custody services, fund accounting and administration, and broker clearing. Fees are recognised over the period the custody or fund management services are provided, or as and when broker services are requested.

Wealth Management

Upfront consideration on bancassurance agreements is amortised straight-line over the contractual term. Commissions for bancassurance activities are recorded as they are earned through sales of third-party insurance products to customers. These commissions are received within a short time frame of the commission being earned. Target-linked fees are accrued based on percentage of the target achieved, provided it is assessed as highly probable that the target will be met. Cash payment is received at a contractually specified date after achievement of a target has been confirmed.

Upfront and trailing commissions for managed investment placements are recorded as they are confirmed. Income from these activities is relatively even throughout the period, and cash is usually received within a short time frame after the commission is earned.

Retail Products

The Group recognises most income at the point in time the Group is entitled to the fee, since most services are provided at the time of the customer's request.

Credit card annual fees are recognised at the time the fee is received since in most of our retail markets there are contractual circumstances under which fees are waived, so income recognition is constrained until the uncertainties associated with the annual fee are resolved. The Group defers the fair value of reward points on its credit card reward programmes, and recognises income and costs associated with fulfilling the reward at the time of redemption.

	2021 $million	2020 $million
Fees and commissions income	**4,458**	3,865
Of which:		
Financial instruments that are not fair valued through profit or loss	**1,282**	1,122
Trust and other fiduciary activities	**703**	254
Fees and commissions expense	**(736)**	(705)
Of which:		
Financial instruments that are not fair valued through profit or loss	**(234)**	(219)
Trust and other fiduciary activities	**(49)**	(11)
Net fees and commission	**3,722**	3,160

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4. Net fees and commission continued

	2021			
	Corporate, Commercial & Institutional Banking $million	Consumer Private & Business Banking $million	Central & other Items (Segment) $million	Total $million
Transaction Banking	**1,097**	**39**	**–**	**1,136**
Trade	**590**	**27**	**–**	**617**
Cash Management	**507**	**12**	**–**	**519**
Financial Markets	**549**	**–**	**–**	**549**
Lending & Portfolio Management	**143**	**1**	**–**	**144**
Principal Finance	**(5)**	**–**	**–**	**(5)**
Wealth Management	**–**	**1,556**	**–**	**1,556**
Retail Products	**–**	**406**	**–**	**406**
Treasury	**–**	**–**	**(47)**	**(47)**
Others	**–**	**1**	**(18)**	**(17)**
Net fees and commission	**1,784**	**2,003**	**(65)**	**3,722**

	2020 (Restated)[1]			
	Corporate, Commercial & Institutional Banking[1] $million	Consumer Private & Business Banking[1] $million	Central & other Items (Segment) $million	Total $million
Transaction Banking	973	32	–	1,005
Trade	531	22	–	553
Cash Management	442	10	–	452
Financial Markets	432	–	–	432
Lending & Portfolio Management	70	1	–	71
Principal Finance	1	–	–	1
Wealth Management	1	1,350	–	1,351
Retail Products	–	333	–	333
Treasury	–	–	(25)	(25)
Others	–	–	(8)	(8)
Net fees and commission	1,477	1,716	(33)	3,160

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

Upfront bancassurance consideration amounts are amortised on a straight-line basis over the contractual period to which the consideration relates. Deferred income on the balance sheet in respect of these activities is $634 million (31 December 2020: $718 million). The income will be earned evenly over the next 7.5 years (31 December 2020: 8.5 years). For the 12 months ended 31 December 2021, $84 million of fee income was released from deferred income (31 December 2020: $84 million).

5. Net trading income

Accounting policy

Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss are recorded in net trading income in the period in which they arise. This includes contractual interest receivable or payable.

Income is recognised from the sale and purchase of trading positions, margins on market making and customer business and fair value changes.

When the initial fair value of a financial instrument held at fair value through profit or loss relies on unobservable inputs, the difference between the initial valuation and the transaction price is amortised to net trading income as the inputs become observable or over the life of the instrument, whichever is shorter. Any unamortised 'day one' gain is released to net trading income if the transaction is terminated.

	2021 $million	2020 $million
Net trading income	**3,431**	3,672
Significant items within net trading income include:		
Gains on instruments held for trading[1]	**3,381**	3,254
Gains on financial assets mandatorily at fair value through profit or loss	**181**	607
Losses on financial assets designated at fair value through profit or loss	**(8)**	(4)
Losses on financial liabilities designated at fair value through profit or loss	**(133)**	(247)

1 Includes $339 million gain (31 December 2020: $395 million loss) from the translation of foreign currency monetary assets and liabilities

6. Other operating income

Accounting policy

Operating lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

Dividends on equity instruments are recognised when the Group's right to receive payment is established.

On disposal of fair value through other comprehensive income debt instruments, the cumulative gain or loss recognised in other comprehensive income is recycled to the profit or loss in other operating income/expense.

When the Group loses control of the subsidiary or disposal group, the difference between the consideration received and the carrying amount of the subsidiary or disposal group is recognised as a gain or loss on sale of the business.

	2021 $million	2020 $million
Other operating income includes:		
Rental income from operating lease assets	463	495
Gains less losses on disposal of fair value through other comprehensive income debt instruments	157	431
Gains less losses on amortised cost financial assets	22	40
Net gain/(loss) on sale of businesses	20	(38)
Dividend income	14	27
Gain on sale of aircrafts	23	11
Other	51	104
Other operating income	750	1,070

7. Operating expenses

Accounting policy

Short-term employee benefits: salaries and social security expenses are recognised over the period in which the employees provide the service. Variable compensation is included within share-based payments costs and wages and salaries. Further details are disclosed in the Directors' remuneration report (pages 141 to 170).

Pension costs: contributions to defined contribution pension schemes are recognised in profit or loss when payable. For defined benefit plans, net interest expense, service costs and expenses are recognised in the income statement. Further details are provided in Note 30.

Share-based compensation: the Group operates equity-settled and cash-settled share-based payment compensation plans. The fair value of the employee services (measured by the fair value of the option granted) received in exchange for the grant of the options is recognised as an expense. Further details are provided in Note 31.

	2021 $million	2020 $million
Staff costs:		
Wages and salaries	5,834	5,362
Social security costs	209	168
Other pension costs (Note 30)	377	358
Share-based payment costs (Note 31)	167	132
Other staff costs	1,081	866
	7,668	6,886

Other staff costs include redundancy expenses of $328 million (31 December 2020: $179 million). Further costs in this category include training, travel costs and other staff-related costs.

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

	2021			2020[1]		
	Business	Support services	Total	Business	Support services	Total
At 31 December	30,614	51,343	81,957	34,905	48,752	83,657
Average for the year	31,468	51,268	82,736	36,435	48,305	84,740

The Company employed Nil staff at 31 December 2021 (31 December 2020: Nil) and it incurred costs of $1 million (31 December 2020: $87 million).

Details of directors' pay, benefits, pensions and benefits and interests in shares are disclosed in the Directors' remuneration report (page 141).

Transactions with directors, officers and other related parties are disclosed in Note 36.

7. Operating expenses continued

	2021 $million	2020 $million
Premises and equipment expenses:	**387**	412
General administrative expenses:		
UK bank levy	**100**	331
Regulatory fine	**62**	(14)
Other general administrative expenses	**1,526**	1,514
	1,688	1,831
Depreciation and amortisation:		
Property, plant and equipment:		
Premises	**370**	373
Equipment	**129**	129
Operating lease assets	**213**	229
	712	731
Intangibles:		
Software	**461**	515
Acquired on business combinations	**8**	5
	1,181	1,251
Total operating expenses	**10,924**	10,380

Operating expenses include research expenditure of $945 million (31 December 2020: $777 million), which was recognized as an expense in the year.

The UK bank levy is applied on the chargeable equity and liabilities on the Group's consolidated balance sheet. Key exclusions from chargeable equity and liabilities include Tier 1 capital, insured or guaranteed retail deposits, repos secured on certain sovereign debt and liabilities subject to netting. From 1 January 2021 the rates are 0.10 per cent for short-term liabilities and 0.05 per cent for long-term liabilities. In addition, the scope of the UK bank levy is restricted to the balance sheet of UK operations only from this date.

8. Credit impairment

Accounting policy

Significant accounting estimates and judgements

The Group's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions. The significant judgements in determining expected credit loss include:

- The Group's criteria for assessing if there has been a significant increase in credit risk;
- Development of expected credit loss models, including the choice of inputs relating to macroeconomic variables;
- Evaluation of management overlays and post-model adjustments;
- Determination of probability weightings for Stage 3 individually assessed provisions

The calculation of credit impairment provisions also involves expert credit judgement to be applied by the credit risk management team based upon counterparty information they receive from various sources including relationship managers and on external market information. Details on the approach for determining expected credit loss can be found in the credit risk section, under IFRS 9 Methodology (page 233).

Estimates of forecasts of key macroeconomic variables underlying the expected credit loss calculation can be found within the Risk review, Key assumptions and judgements in determining expected credit loss (page 235).

Expected credit losses

Expected credit losses are determined for all financial debt instruments that are classified at amortised cost or fair value through other comprehensive income, undrawn commitments and financial guarantees.

An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee.

A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive over the contractual life of the instrument.

Measurement

Expected credit losses are computed as unbiased, probability-weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information including that which is forward-looking.

For material portfolios, the estimate of expected cash shortfalls is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD). There may be multiple default events over the lifetime of an instrument. Further details on the components of PD, LGD and EAD are disclosed in the Credit risk section. For less material Retail Banking loan portfolios, the Group has adopted less sophisticated approaches based on historical roll rates or loss rates.

Forward-looking economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they influence credit risk, such as GDP growth rates, interest rates, house price indices and commodity prices among others. These assumptions are incorporated using the Group's most likely forecast for a range of macroeconomic assumptions. These forecasts are determined using all reasonable and supportable information, which includes both internally developed forecasts and those available externally, and are consistent with those used for budgeting, forecasting and capital planning.

To account for the potential non-linearity in credit losses, multiple forward-looking scenarios are incorporated into the range of reasonably possible outcomes for all material portfolios. For example, where there is a greater risk of downside credit losses than upside gains, multiple forward-looking economic scenarios are incorporated into the range of reasonably possible outcomes, both in respect of determining the PD (and where relevant, the LGD and EAD) and in determining the overall expected credit loss amounts. These scenarios are determined using a Monte Carlo approach centred around the Group's most likely forecast of macroeconomic assumptions.

The period over which cash shortfalls are determined is generally limited to the maximum contractual period for which the Group is exposed to credit risk. However, for certain revolving credit facilities, which include credit cards or overdrafts, the Group's exposure to credit risk is not limited to the contractual period. For these instruments, the Group estimates an appropriate life based on the period that the Group is exposed to credit risk, which includes the effect of credit risk management actions such as the withdrawal of undrawn facilities.

For credit-impaired financial instruments, the estimate of cash shortfalls may require the use of expert credit judgement.

The estimate of expected cash shortfalls on a collateralised financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, regardless of whether foreclosure is deemed probable.

Cash flows from unfunded credit enhancements held are included within the measurement of expected credit losses if they are part of, or integral to, the contractual terms of the instrument (this includes financial guarantees, unfunded risk participations and other non-derivative credit insurance). Although non-integral credit enhancements do not impact the measurement of expected credit losses, a reimbursement asset is recognised to the extent of the expected credit losses recorded.

Cash shortfalls are discounted using the effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired instruments (POCI)) on the financial instrument as calculated at initial recognition or if the instrument has a variable interest rate, the current effective interest rate determined under the contract.

Instruments	Location of expected credit loss provisions
Financial assets held at amortised cost	Loss provisions: netted against gross carrying value[1]
Financial assets held FVOCI – Debt instruments	Other comprehensive income (FVOCI expected credit loss reserve)[2]
Loan commitments	Provisions for liabilities and charges[3]
Financial guarantees	Provisions for liabilities and charges[3]

1 Purchased or originated credit-impaired assets do not attract an expected credit loss provision on initial recognition. An expected credit loss provision will be recognised only if there is an increase in expected credit losses from that considered at initial recognition

2 Debt and treasury securities classified as fair value through other comprehensive income (FVOCI) are held at fair value on the face of the balance sheet. The expected credit loss attributed to these instruments is held as a separate reserve within other comprehensive income (OCI) and is recycled to the profit and loss account along with any fair value measurement gains or losses held within FVOCI when the applicable instruments are derecognised

3 Expected credit loss on loan commitments and financial guarantees is recognised as a liability provision. Where a financial instrument includes both a loan (i.e. financial asset component) and an undrawn commitment (i.e. loan commitment component), and it is not possible to separately identify the expected credit loss on these components, expected credit loss amounts on the loan commitment are recognised together with expected credit loss amounts on the financial asset. To the extent the combined expected credit loss exceeds the gross carrying amount of the financial asset, the expected credit loss is recognised as a liability provision

Recognition

12 months expected credit losses (Stage 1) Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit-impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

8. Credit impairment continued

Significant increase in credit risk (Stage 2) If a financial asset experiences a significant increase in credit risk (SICR) since initial recognition, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset.

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in expected credit loss. Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors, the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. For less material portfolios where a loss rate or roll rate approach is applied to compute expected credit loss, significant increase in credit risk is primarily based on 30 days past due.

Quantitative factors include an assessment of whether there has been significant increase in the forward-looking probability of default (PD) since origination. A forward-looking PD is one that is adjusted for future economic conditions to the extent these are correlated to changes in credit risk. We compare the residual lifetime PD at the balance sheet date to the residual lifetime PD that was expected at the time of origination for the same point in the term structure and determine whether both the absolute and relative change between the two exceeds predetermined thresholds. To the extent that the differences between the measures of default outlined exceed the defined thresholds, the instrument is considered to have experienced a significant increase in credit risk.

Qualitative factors assessed include those linked to current credit risk management processes, such as lending placed on non-purely precautionary early alert (and subject to closer monitoring).

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

Credit-impaired (or defaulted) exposures (Stage 3) Financial assets that are credit-impaired (or in default) represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit-impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit-impaired.

- Evidence that a financial asset is credit-impaired includes observable data about the following events:
- Significant financial difficulty of the issuer or borrower;
- Breach of contract such as default or a past due event;
- For economic or contractual reasons relating to the borrower's financial difficulty, the lenders of the borrower have granted the borrower concession/s that lenders would not otherwise consider. This would include forbearance actions (page 331);
- Pending or actual bankruptcy or other financial reorganisation to avoid or delay discharge of the borrower's obligation/s;
- The disappearance of an active market for the applicable financial asset due to financial difficulties of the borrower;
- Purchase or origination of a financial asset at a deep discount that reflects incurred credit losses

Lending commitments to a credit-impaired obligor that have not yet been drawn down are included to the extent that the commitment cannot be withdrawn. Loss provisions against credit-impaired financial assets are determined based on an assessment of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate. The loss provisions held represent the difference between the present value of the expected cash shortfalls, discounted at the instrument's original effective interest rate, and the gross carrying value (including contractual interest due but not paid) of the instrument prior to any credit impairment. The Group's definition of default is aligned with the regulatory definition of default as set out in the UK's onshored capital requirements regulations (Art 178).

8. Credit impairment continued

Expert credit judgement
For Corporate & Institutional, Commercial and Private Banking, borrowers are graded by credit risk management on a credit grading (CG) scale from CG1 to CG14. Once a borrower starts to exhibit credit deterioration, it will move along the credit grading scale in the performing book and when it is classified as CG12 the credit assessment and oversight of the loan will normally be performed by Group Special Assets Management (GSAM).

Borrowers graded CG12 exhibit well-defined weaknesses in areas such as management and/or performance but there is no current expectation of a loss of principal or interest. Where the impairment assessment indicates that there will be a loss of principal on a loan, the borrower is graded a CG14 while borrowers of other credit-impaired loans are graded CG13. Instruments graded CG13 or CG14 are regarded as stage 3.

For individually significant financial assets within stage 3, GSAM will consider all judgements that have an impact on the expected future cash flows of the asset. These include: the business prospects, industry and geo political climate of the customer, quality of realisable value of collateral, the Group's legal position relative to other claimants and any renegotiation/ forbearance/ modification options. The future cash flow calculation involves significant judgements and estimates. As new information becomes available and further negotiations/ forbearance measures are taken the estimates of the future cash flows will be revised, and will have an impact on the future cash flow analysis.

For financial assets which are not individually significant, such as the Retail Banking portfolio or small business loans, which comprise a large number of homogenous loans that share similar characteristics, statistical estimates and techniques are used, as well as credit scoring analysis.

Retail Banking clients are considered credit-impaired where they are more 90 days past due. Retail Banking products are also considered credit-impaired if the borrower files for bankruptcy or other forbearance programme, the borrower is deceased or the business is closed in the case of a small business, or if the borrower surrenders the collateral, or there is an identified fraud on the account. Additionally, if the account is unsecured and the borrower has other credit accounts with the Group that are considered credit-impaired, the account may be also be credit-impaired.

Techniques used to compute impairment amounts use models which analyse historical repayment and default rates over a time horizon. Where various models are used, judgement is required to analyse the available information provided and select the appropriate model or combination of models to use.

Expert credit judgement is also applied to determine whether any post-model adjustments are required for credit risk elements which are not captured by the models.

Modified financial instruments
Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised (an instrument is derecognised when a modification results in a change in cash flows that the Group would consider substantial), the resulting modification loss is recognised within credit impairment in the income statement with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the bank would not otherwise consider, the instrument is considered to be credit-impaired and is considered forborne.

Expected credit loss for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed (by comparison to the origination date) to determine whether there has been a significant increase in credit risk subsequent to the modification. Although loans may be modified for non-credit reasons, a significant increase in credit risk may occur. In addition to the recognition of modification gains and losses, the revised carrying value of modified financial assets will impact the calculation of expected credit losses, with any increase or decrease in expected credit loss recognised within impairment.

Forborne loans
Forborne loans are those loans that have been modified in response to a customer's financial difficulties. Forbearance strategies assist clients who are temporarily in financial distress and are unable to meet their original contractual repayment terms. Forbearance can be initiated by the client, the Group or a third-party including government sponsored programmes or a conglomerate of credit institutions. Forbearance may include debt restructuring such as new repayment schedules, payment deferrals, tenor extensions, interest only payments, lower interest rates, forgiveness of principal, interest or fees, or relaxation of loan covenants.

Forborne loans that have been modified (and not derecognised) on terms that are not consistent with those readily available in the market and/or where we have granted a concession compared to the original terms of the loans are considered credit-impaired if there is a detrimental impact on cash flows. The modification loss (see Classification and measurement – Modifications) is recognised in the profit or loss within credit impairment and the gross carrying value of the loan reduced by the same amount. The modified loan is disclosed as 'Loans subject to forbearance – credit-impaired'.

Loans that have been subject to a forbearance modification, but which are not considered credit-impaired (not classified as CG13 or CG14), are disclosed as 'Forborne – not credit-impaired'. This may include amendments to covenants within the contractual terms.

8. Credit impairment continued

Write-offs of credit-impaired instruments and reversal of impairment
To the extent a financial debt instrument is considered irrecoverable, the applicable portion of the gross carrying value is written off against the related loan provision. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for credit impairment in the income statement.

Loss provisions on purchased or originated credit-impaired instruments (POCI)
The Group measures expected credit loss on a lifetime basis for POCI instruments throughout the life of the instrument. However, expected credit loss is not recognised in a separate loss provision on initial recognition for POCI instruments as the lifetime expected credit loss is inherent within the gross carrying amount of the instruments. The Group recognises the change in lifetime expected credit losses arising subsequent to initial recognition in the income statement and the cumulative change as a loss provision. Where lifetime expected credit losses on POCI instruments are less than those at initial recognition, then the favourable differences are recognised as impairment gains in the income statement (and as impairment loss where the expected credit losses are greater).

Improvement in credit risk/curing
A period may elapse from the point at which instruments enter lifetime expected credit losses (stage 2 or stage 3) and are reclassified back to 12-month expected credit losses (stage 1). For financial assets that are credit-impaired (stage 3), a transfer to stage 2 or stage 1 is only permitted where the instrument is no longer considered to be credit-impaired. An instrument will no longer be considered credit-impaired when there is no shortfall of cash flows compared to the original contractual terms.

For financial assets within stage 2, these can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in credit risk.

Where significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the original PD based transfer criteria are no longer met. Where instruments were transferred to stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to stage 1. This includes instances where management actions led to instruments being classified as stage 2, requiring that action to be resolved before loans are reclassified to stage 1.

A forborne loan can only be removed from being disclosed as forborne if the loan is performing (stage 1 or 2) and a further two-year probation period is met.

In order for a forborne loan to become performing, the following criteria have to be satisfied:

- At least a year has passed with no default based upon the forborne contract terms
- The customer is likely to repay its obligations in full without realising security
- The customer has no accumulated impairment against amount outstanding (except for ECL)

Subsequent to the criteria above, a further two-year probation period has to be fulfilled, whereby regular payments are made by the customer and none of the exposures to the customer are more than 30 days past due.

	2021 $million	2020 $million
Net credit impairment on loans and advances to banks and customers	**258**	2,191
Net credit impairment on debt securities	**26**	33
Net credit impairment relating to financial guarantees and loan commitments	**(30)**	103
Net credit impairment relating to other financial assets	**–**	(2)
Credit impairment[1]	**254**	2,325

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

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

Accounting policy
Refer to the below referenced notes for the relevant accounting policy.

	2021 $million	2020 $million
Impairment of goodwill (Note 17)	**–**	489
Impairment of property, plant and equipment (Note 18)	**106**	132
Impairment of other intangible assets (Note 17)	**4**	17
Other	**262[1]**	(51)[2]
Property, plant and equipment and other impairment	**372**	98
Goodwill, property, plant and equipment and other impairment	**372**	587

1 Other Includes Impairment of investment in China Bohai $300 million

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

10. Taxation

Accounting policy

Income tax payable on profits is based on the applicable tax law in each jurisdiction and is recognised as an expense in the period in which profits arise.

Deferred tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted as at the balance sheet date, and that are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where permitted, deferred tax assets and liabilities are offset on an entity basis and not by component of deferred taxation.

Current and deferred tax relating to items which are charged or credited directly to equity, is credited or charged directly to equity and is subsequently recognised in the income statement together with the current or deferred gain or loss.

Significant accounting estimates and judgements

- Determining the Group's tax charge for the year involves estimation and judgement, which includes an interpretation of local tax laws and an assessment of whether the tax authorities will accept the position taken. These judgements take account of external advice where appropriate, and the Group's view on settling with the relevant tax authorities
- The Group provides for current tax liabilities at the best estimate of the amount that is expected to be paid to the tax authorities where an outflow is probable. In making its estimates the Group assumes that the tax authorities will examine all the amounts reported to them and have full knowledge of all relevant information
- The recoverability of the Group's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised. In preparing management forecasts the effect of applicable laws and regulations relevant to the utilisation of future taxable profits have been considered.

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

	2021 $million	2020 $million
The charge for taxation based upon the profit for the year comprises:		
Current tax:		
United Kingdom corporation tax at 19 per cent (2020: 19 per cent):		
Current tax charge on income for the year	–	–
Adjustments in respect of prior years (including double tax relief)	9	(41)
Foreign tax:		
Current tax charge on income for the year	896	1,061
Adjustments in respect of prior years	(26)	(352)
	879	668
Deferred tax:		
Origination/reversal of temporary differences	218	(193)
Adjustments in respect of prior years	(63)	387
	155	194
Tax on profits on ordinary activities	1,034	862
Effective tax rate	30.9%	53.4%

The tax charge for the year of $1,034 million (31 December 2020: $862 million) on a profit before tax of $3,347 million (31 December 2020: $1,613 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 2020 charge included adjustments in respect of prior years of $288 million, between current and deferred tax, relating to the treatment of loan impairments in India as deductible in the period they are impaired.

Foreign tax includes current tax of $78 million (31 December 2020: $167 million) on the profits assessable in Hong Kong. Deferred tax includes origination or reversal of temporary differences of $39 million (31 December 2020: $(30) million) provided at a rate of 16.5 per cent (31 December 2020: 16.5 per cent) on the profits assessable in Hong Kong.

10. Taxation continued

Tax rate: The tax charge for the year is higher than the charge at the rate of corporation tax in the UK, 19 per cent. The differences are explained below:

	2021		2020	
	$million	%	$million	%
Profit on ordinary activities before tax	**3,347**		1,613	
Tax at 19 per cent (2020: 19 per cent)	**636**	**19.0**	306	19.0
Lower tax rates on overseas earnings	**(93)**	**(2.8)**	(36)	(2.2)
Higher tax rates on overseas earnings	**366**	**10.9**	305	18.9
Tax at domestic rates applicable where profits earned	**909**	**27.1**	575	35.7
Non-creditable withholding taxes	**120**	**3.6**	127	7.9
Tax exempt income[1]	**(85)**	**(2.5)**	(127)	(7.9)
Share of associates and joint ventures	**(33)**	**(1.0)**	(26)	(1.6)
Non-deductible expenses[1]	**217**	**6.5**	164	10.2
Regulatory fine	**12**	**0.4**	–	–
Bank levy	**19**	**0.6**	63	3.9
Non-taxable losses on investments	**–**	**–**	13	0.8
Payments on financial instruments in reserves	**(62)**	**(1.9)**	(59)	(3.7)
Goodwill impairment	**–**	**–**	93	5.8
Deferred tax not recognised	**54**	**1.6**	49	3.0
Deferred tax assets written-off	**1**	**–**	15	0.9
Deferred tax rate changes	**–**	**–**	(51)	(3.2)
Adjustments to tax charge in respect of prior years	**(80)**	**(2.4)**	(6)	(0.4)
Other items[1]	**(38)**	**(1.1)**	32	2.0
Tax on profit on ordinary activities	**1,034**	**30.9**	862	53.4

1 The 2020 comparatives have been reclassified as follows to align with presentation in the current period: tax exempt income by $6 million from $(133) million to $(127) million, non-deductible expenses by $102 million from $266 million to $164 million and other items by $96 million from $(64) million to $32 million

Factors affecting the tax charge in future years: the Group's tax charge, and effective tax rate in future years could be affected by several factors including acquisitions, disposals and restructuring of our businesses, the mix of profits across jurisdictions with different statutory tax rates, changes in tax legislation and tax rates and resolution of uncertain tax positions.

The evaluation of uncertain tax positions involves an interpretation of local tax laws which could be subject to challenge by a tax authority, and an assessment of whether the tax authorities will accept the position taken. The Group does not currently consider that assumptions or judgements made in assessing tax liabilities have a significant risk of resulting in a material adjustment within the next financial year.

	2021			2020		
Tax recognised in other comprehensive income	Current tax $million	Deferred tax $million	Total $million	Current tax $million	Deferred tax $million	Total $million
Items that will not be reclassified to income statement	**–**	**(82)**	**(82)**	–	(17)	(17)
Own credit adjustment	**–**	**(6)**	**(6)**	–	1	1
Equity instruments at fair value through other comprehensive income	**–**	**(59)**	**(59)**	–	(27)	(27)
Retirement benefit obligations	**–**	**(17)**	**(17)**	–	9	9
Items that may be reclassed subsequently to income statement	**–**	**74**	**74**	(1)	(53)	(54)
Debt instruments at fair value through other comprehensive income	**–**	**76**	**76**	(1)	(68)	(69)
Cash flow hedges	**–**	**(2)**	**(2)**	–	15	15
Total tax credit/(charge) recognised in equity	**–**	**(8)**	**(8)**	(1)	(70)	(71)

10. Taxation continued

Current tax: The following are the movements in current tax during the year:

Current tax comprises:	2021 $million	2020 $million
Current tax assets	808	539
Current tax liabilities	(660)	(703)
Net current tax opening balance	148	(164)
Movements in income statement	(879)	(668)
Movements in other comprehensive income	–	(1)
Taxes paid	1,161	971
Other movements	(12)	10
Net current tax balance as at 31 December	418	148
Current tax assets	766	808
Current tax liabilities	(348)	(660)
Total	418	148

Deferred tax: The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the year:

	At 1 January 2021 $million	Exchange & other adjustments $million	(Charge)/credit to profit $million	(Charge)/credit to equity $million	At 31 December 2021 $million
Deferred tax comprises:					
Accelerated tax depreciation	(493)	4	(26)	–	(515)
Impairment provisions on loans and advances	419	12	(80)	–	351
Tax losses carried forward	282	(3)	(16)	–	263
Fair value through other comprehensive income	(146)	5	(2)	17	(126)
Cash flow hedges	2	–	–	(2)	–
Own credit adjustment	3	–	–	(6)	(3)
Retirement benefit obligations	36	13	(5)	(17)	27
Share-based payments	23	–	9	–	32
Other temporary differences	98	(33)	(35)	–	30
Net deferred tax assets	224	(2)	(155)	(8)	59

	At 1 January 2020 $million	Exchange & other adjustments $million	(Charge)/credit to profit $million	(Charge)/credit to equity $million	At 31 December 2020 $million
Deferred tax comprises:					
Accelerated tax depreciation	(526)	–	33	–	(493)
Impairment provisions on loans and advances	957	(14)	(524)	–	419
Tax losses carried forward	263	(5)	24	–	282
Fair value through other comprehensive income	(49)	–	(2)	(95)	(146)
Cash flow hedges	(13)	–	–	15	2
Own credit adjustment	2	–	–	1	3
Retirement benefit obligations	31	(1)	(3)	9	36
Share-based payments	16	(3)	10	–	23
Other temporary differences	(187)	14	268	3	98
Net deferred tax assets	494	(9)	(194)	(67)	224

10. Taxation continued

Deferred tax comprises assets and liabilities as follows:

	2021			2020		
	Total $million	Asset $million	Liability $million	Total $million	Asset $million	Liability $million
Deferred tax comprises:						
Accelerated tax depreciation	**(515)**	**18**	**(533)**	(493)	(30)	(463)
Impairment provisions on loans and advances	**351**	**389**	**(38)**	419	403	16
Tax losses carried forward	**263**	**172**	**91**	282	171	111
Fair value through other comprehensive income	**(126)**	**(22)**	**(104)**	(146)	(61)	(85)
Cash flow hedges	**–**	**(3)**	**3**	2	6	(4)
Own credit adjustment	**(3)**	**(1)**	**(2)**	3	2	1
Retirement benefit obligations	**27**	**16**	**11**	36	25	11
Share-based payments	**32**	**–**	**32**	23	8	15
Other temporary differences	**30**	**290**	**(260)**	98	395	(297)
	59	**859**	**(800)**	224	919	(695)

At 31 December 2021, the Group has net deferred tax assets of $59 million (31 December 2020: $224 million). The recoverability of the Group's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised.

Of the Group's total deferred tax assets, $263 million relates to tax losses carried forward. These tax losses have arisen in individual legal entities and will be offset as future taxable profits arise in those entities.

- $104 million of the deferred tax assets relating to losses has arisen in Ireland, where there is no expiry date for unused tax losses. These losses relate to aircraft leasing and are expected to be fully utilised over the useful economical life of the assets being up to 18 years.
- $112 million of the deferred tax assets relating to losses has arisen in the US. Management forecasts show that the losses are expected to be fully utilised over a period of three years.

The remaining deferred tax assets of $47 million relating to losses have arisen in other jurisdictions and are expected to be recovered in less than 10 years.

Unrecognised deferred tax

	2021 $million	2020 $million
No account has been taken of the following potential deferred tax assets/(liabilities):		
Withholding tax on unremitted earnings from overseas subsidiaries and associates	**(426)**	(397)
Tax losses	**2,104**	1,612
Held over gains on incorporation of overseas branches	**(422)**	(336)
Other temporary differences	**208**	221

The aggregate temporary differences relating to unrecognised deferred tax arising on unremitted earnings from overseas subsidiaries and associates at the balance sheet date was $(5,544) million (31 December 2020: $(5,183) million), the gross value of the unrecognised tax losses (including capital losses) was $8,292 million (31 December 2020: $7,213 million), gross value of held over gains on incorporation of overseas branches $(1,476) million (31 December 2020: $(1,489) million), and other temporary differences $790 million (31 December 2020: $946 million).

11. Dividends

Accounting policy

Dividends on ordinary shares and preference shares classified as equity are recognised in equity in the year in which they are declared. Dividends on ordinary equity shares are recorded in the year in which they are declared and, in respect of the final dividend, have been approved by the shareholders.

The Board considers a number of factors prior to dividend declaration which includes the rate of recovery in the Group's financial performance, the macroeconomic environment, and opportunities to further invest in our business and grow profitably in our markets.

Ordinary equity shares

	2021	
	Cents per share	$million
2020 final dividend declared and paid during the year	**9**	**282**
2021 interim dividend declared and paid during the year	**3**	**92**

Dividends on ordinary equity shares are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. Accordingly, the final ordinary equity share dividends set out above relate to the respective prior years.

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 final ordinary equity share dividend

The 2021 ordinary equity share dividend recommended by the Board is 9 cents per share. The financial statements for the year ended 31 December 2021 do not reflect this dividend as this will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 December 2022.

The dividend will be paid in either pounds sterling, Hong Kong dollars or US dollars on 12 May 2022 to shareholders on the UK register of members at the close of business in the UK on 25 February 2022.

Preference shares and Additional Tier 1 securities

Dividends on these preference shares and securities classified as equity are recorded in the period in which they are declared.

		2021 $million	2020 $million
Non-cumulative redeemable preference shares:	7.014 per cent preference shares of $5 each	**53**	53
	6.409 per cent preference shares of $5 each	**13**	20
		66	73
Additional Tier 1 securities: fixed rate resetting perpetual subordinated contingent convertible securities		**344**	322
		410	395

12. Earnings per ordinary share

Accounting policy

Basic earnings per ordinary share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, excluding own shares held. Diluted earnings per ordinary share is calculated by dividing the basic earnings, which require no adjustment for the effects of dilutive potential ordinary shares, by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares, excluding own shares held.

The Group also measures earnings per share on an underlying basis. This differs from earnings defined in IAS 33 Earnings per share. Underlying earnings is profit/(loss) attributable to ordinary shareholders adjusted for 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 year.

The table below provides the basis of underlying earnings.

	2021 $million	2020 $million
Profit for the period attributable to equity holders	**2,313**	751
Non-controlling interest	**2**	(27)
Dividend payable on preference shares and AT1 classified as equity	**(410)**	(395)
Profit for the period attributable to ordinary shareholders	**1,905**	329
Items normalised:		
Regulatory fine	**62**	(14)
Restructuring	**507**	382
Goodwill impairment (Note 9)	**–**	489
Net (gain)/loss on sale of Businesses (Note 6)	**(20)**	38
Tax on normalised items[1]	**(87)**	(83)
Underlying profit attributable to equity holders	**2,367**	1,141
Basic – Weighted average number of shares (millions)	**3,108**	3,160
Diluted – Weighted average number of shares (millions)	**3,154**	3,199
Basic earnings per ordinary share (cents)	**61.3**	10.4
Diluted earnings per ordinary share (cents)	**60.4**	10.3
Underlying basic earnings per ordinary share (cents)	**76.2**	36.1
Underlying diluted earnings per ordinary share (cents)	**75.0**	35.7

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

13. Financial instruments

Classification and measurement

Accounting policy

The Group classifies its financial assets into the following measurement categories: amortised cost; fair value through other comprehensive income (FVOCI); and fair value through profit or loss (FVTPL). Financial liabilities are classified as either amortised cost, or held at fair value through profit or loss. Management determines the classification of its financial assets and liabilities at initial recognition of the instrument or, where applicable, at the time of reclassification.

Financial assets held at amortised cost and fair value through other comprehensive income

Debt instruments held at amortised cost or held at FVOCI have contractual terms that give rise to cashflows that are solely payments of principal and interest (SPPI) characteristics. Principal is the fair value of the financial asset at initial recognition but this may change over the life of the instrument as amounts are repaid. Interest consists of consideration for the time value of money, for the Credit Risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cashflows have SPPI characteristics, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cashflows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cashflows
- Leverage characteristics which increase the variability of contractual cashflows
- Prepayment and extension terms
- Terms that limit the Group's claim to cashflows from specified assets (e.g. non-recourse asset arrangements)
- Features that modify consideration of the time value of money – for example, periodical reset of interest rates

Whether financial assets are held at amortised cost or at FVOCI depends on the objectives of the business models under which the assets are held. A business model refers to how the Group manages financial assets to generate cashflows.

The Group makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and, where applicable, within business lines depending on the way the business is managed and information is provided to management. Factors considered include:

- How the performance of the product business line is evaluated and reported to the Group's management
- How managers of the business model are compensated, including whether management is compensated based on the fair value of assets or the contractual cashflows collected
- The risks that affect the performance of the business model and how those risks are managed
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity

The Group's business model assessment is as follows:

Business model	Business objective	Characteristics	Businesses	Products
Hold to collect	Intent is to originate financial assets and hold them to maturity, collecting the contractual cashflows over the term of the instrument	• Providing financing and originating assets to earn interest income as primary income stream • Performing Credit Risk management activities • Costs include funding costs, transaction costs and impairment losses	• Corporate Lending • Financial Markets • Transaction Banking • Retail Lending • Treasury Markets (Loans and Borrowings)	• Loans and advances • Debt securities
Hold to collect and sell	Business objective met through both hold to collect and by selling financial assets	• Portfolios held for liquidity needs; or where a certain interest yield profile is maintained; or that are normally rebalanced to achieve matching of duration of assets and liabilities • Income streams come from interest income, fair value changes, and impairment losses	• Treasury Markets	• Derivatives • Debt securities
Fair value through profit or loss	All other business objectives, including trading and managing financial assets on a fair value basis	• Assets held for trading • Assets that are originated, purchased, and sold for profit-taking or underwriting activity • Performance of the portfolio is evaluated on a fair value basis • Income streams are from fair value changes or trading gains or losses	• Financial Markets • All other business lines	• Derivatives • Trading portfolios • Financial Markets reverse repos • Financial Markets (FM Bond and Loan Syndication)

13. Financial instruments continued

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cashflows (hold to collect) are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets (Hold to collect and sell) are classified as held at FVOCI.

Both hold to collect business and hold to collect and sell business models involve holding financial assets to collect the contractual cashflows. However, the business models are distinct by reference to the frequency and significance that asset sales play in meeting the objective under which a particular group of financial assets is managed. Hold to collect business models are characterised by asset sales that are incidental to meeting the objectives under which a group of assets is managed. Sales of assets under a hold to collect business model can be made to manage increases in the credit risk of financial assets but sales for other reasons should be infrequent or insignificant.

Cashflows from the sale of financial assets under a hold to collect and sell business model by contrast are integral to achieving the objectives under which a particular group of financial assets are managed. This may be the case where frequent sales of financial assets are required to manage the Group's daily liquidity requirements or to meet regulatory requirements to demonstrate liquidity of financial instruments. Sales of assets under hold to collect and sell business models are therefore both more frequent and more significant in value than those under the hold to collect model.

Equity instruments designated as held at FVOCI

Non-trading equity instruments acquired for strategic purposes rather than capital gain may be irrevocably designated at initial recognition as held at FVOCI on an instrument-by-instrument basis. Dividends received are recognised in profit or loss. Gains and losses arising from changes in the fair value of these instruments, including foreign exchange gains and losses, are recognised directly in equity and are never reclassified to profit or loss, even on derecognition.

Financial assets and liabilities held at fair value through profit or loss

Financial assets which are not held at amortised cost or that are not held FVOCI are held at fair value through profit or loss. Financial assets and liabilities held at fair value through profit or loss are either mandatorily classified fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

Mandatorily classified at fair value through profit or loss

Financial assets and liabilities which are mandatorily held at fair value through profit or loss are split between two subcategories as follows:

Trading, including:

- Financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short-term
- Derivatives

Non-trading mandatorily at fair value through profit or loss, including:

- Instruments in a business which has a fair value business model (see the Group's business model assessment) which are not trading or derivatives
- Hybrid financial assets that contain one or more embedded derivatives
- Financial assets that would otherwise be measured at amortised cost or FVOCI but which do not have SPPI characteristics
- Equity instruments that have not been designated as held at FVOCI
- Financial liabilities that constitute contingent consideration in a business combination.

Designated at fair value through profit or loss

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis ('accounting mismatch').

Financial liabilities may also be designated at fair value through profit or loss where they are managed on a fair value basis or have a embedded derivative where the Group is not able to bifurcate and separately value the embedded derivative component.

Financial liabilities held at amortised cost

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost.

Preference shares which carry a mandatory coupon that represents a market rate of interest at the issue date, or which are redeemable on a specific date or at the option of the shareholder are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

13. Financial instruments continued

Financial guarantee contracts and loan commitments

The Group issues financial guarantee contracts and loan commitments in return for fees. Financial guarantee contracts and any loan commitments issued at below-market interest rates are initially recognised at their fair value as a financial liability, and subsequently measured at the higher of the initial value less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers and their expected credit loss provision. Loan commitments may be designated at fair value through profit or loss where that is the business model under which such contracts are held.

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market to which the Group has access at the date. The fair value of a liability includes the risk that the bank will not be able to honour its obligations.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either Market Risk or Credit Risk, the fair value of the group of financial instruments is measured on a net basis.

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument, and for unlisted securities, is not active, the Group establishes fair value by using valuation techniques.

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and debt securities classified as financial assets held at fair value through other comprehensive income are initially recognised on the trade date (the date on which the Group commits to purchase or sell the asset). Loans and advances and other financial assets held at amortised cost are recognised on the settlement date (the date on which cash is advanced to the borrowers).

All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss.

In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses unobservable inputs, the difference between the transaction price and the valuation model is not recognised immediately in the income statement but is amortised or released to the income statement as the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement

Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest method (see Interest income and expense). Foreign exchange gains and losses are recognised in the income statement.

Where a financial instrument carried at amortised cost is the hedged item in a qualifying fair value hedge relationship, its carrying value is adjusted by the fair value gain or loss attributable to the hedged risk.

Financial assets held at FVOCI

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. Foreign exchange gains and losses on the amortised cost are recognised in income. Changes in expected credit losses are recognised in the profit or loss and are accumulated in equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss reserve, are transferred to the profit or loss.

Equity investments designated at FVOCI are subsequently carried at fair value with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. On derecognition, the cumulative reserve is transferred to retained earnings and is not recycled to profit or loss.

Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities mandatorily held at fair value through profit or loss and financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value, including contractual interest income or expense, recorded in the net trading income line in the profit or loss unless the instrument is part of a cashflow hedging relationship.

13. Financial instruments continued

Financial liabilities designated at fair value through profit or loss
Financial liabilities designated at fair value through profit or loss are held at fair value, with changes in fair value recognised in the net trading income line in the profit or loss, other than that attributable to changes in Credit Risk. Fair value changes attributable to Credit Risk are recognised in other comprehensive income and recorded in a separate category of reserves, unless this is expected to create or enlarge an accounting mismatch, in which case the entire change in fair value of the financial liability designated at fair value through profit or loss is recognised in profit or loss.

Derecognition of financial instruments
Financial assets are derecognised when the rights to receive cashflows from the financial assets have expired, or where the Group has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Group has retained control, the assets continue to be recognised to the extent of the Group's continuing involvement.

Where financial assets have been modified, the modified terms are assessed on a qualitative and quantitative basis to determine whether a fundamental change in the nature of the instrument has occurred, such as whether the derecognition of the pre-existing instrument and the recognition of a new instrument is appropriate.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss, except for equity instruments elected FVOCI (see above) and cumulative fair value adjustments attributable to the Credit Risk of a liability that are held in other comprehensive income.

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires and this is evaluated both qualitatively and quantitatively. However, where a financial liability has been modified, it is derecognised if the difference between the modified cashflows and the original cashflows is more than 10 per cent; or if less than 10 per cent, the Group will perform a qualitative assessment to determine whether the terms of the two instruments are substantially different.

If the Group purchases its own debt, it is derecognised and the difference between the carrying amount of the liability and the consideration paid is included in Other income except for the cumulative fair value adjustments attributable to the Credit Risk of a liability that are held in other comprehensive income which are never recycled to the profit or loss.

Modified financial instruments
Financial assets and financial liabilities whose original contractual terms have been modified, including those loans subject to forbearance strategies, are considered to be modified instruments. Modifications may include changes to the tenor, cashflows and or interest rates, among other factors.

Where derecognition of financial assets is appropriate (see Derecognition), the newly recognised residual loans are assessed to determine whether the assets should be classified as purchased or originated Credit-Impaired assets (POCI).

Where derecognition is not appropriate, the gross carrying amount of the applicable instruments is recalculated as the present value of the renegotiated or modified contractual cashflows discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets). The difference between the recalculated values and the pre-modified gross carrying values of the instruments are recorded as a modification gain or loss in the profit or loss.

Gains and losses arising from modifications for credit reasons are recorded as part of 'Credit impairment' (see Credit Impairment policy). Modification gains and losses arising for non-credit reasons are recognised either as part of Credit impairment or within income, depending on whether there has been a change in the Credit Risk on the financial asset subsequent to the modification. Modification gains and losses arising on financial liabilities are recognised within income. The movements in the applicable expected credit loss loan positions are disclosed in further detail in Risk review.

Under the Phase 2 Interest Rate Benchmark Reform amendments to IFRS 9, changes to the basis for determining contractual cashflows as a direct result of interest rate benchmark reform are treated as changes to a floating interest rate to that instrument, provided that the transition from the Interbank Offered Rate (IBOR) benchmark rate to the alternative risk-free rate (RFR) takes place on an economically equivalent basis. Where the instrument is measured at amortised cost or FVOCI, this results in a change in the instrument's effective interest rate, with no change in the amortised cost value of the instrument. If the change to the instrument does not meet these criteria, the Group applies judgement to assess whether the changes are substantial and, if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Group adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised effective interest rate.

13. Financial instruments continued

Reclassifications

Financial liabilities are not reclassified subsequent to initial recognition. Reclassifications of financial assets are made when, and only when, the business model for those assets changes. Such changes are expected to be infrequent and arise as a result of significant external or internal changes, such as the termination of a line of business or the purchase of a subsidiary whose business model is to realise the value of pre-existing held for trading financial assets through a hold to collect model.

Financial assets are reclassified at their fair value on the date of reclassification and previously recognised gains and losses are not restated. Moreover, reclassifications of financial assets between financial assets held at amortised cost and financial assets held at fair value through other comprehensive income do not affect effective interest rate or expected credit loss computations.

Reclassified from amortised cost

Where financial assets held at amortised cost are reclassified to financial assets held at fair value through profit or loss, the difference between the fair value of the assets at the date of reclassification and the previously recognised amortised cost is recognised in profit or loss.

For financial assets held at amortised cost that are reclassified to air value through other comprehensive income, the difference between the fair value of the assets at the date of reclassification and the previously recognised gross carrying value is recognised in other comprehensive income. Additionally, the related cumulative expected credit loss amounts relating to the reclassified financial assets are reclassified from loan loss provisions to a separate reserve in other comprehensive income at the date of reclassification.

Reclassified from air value through other comprehensive income

Where financial assets held at air value through other comprehensive income are reclassified to financial assets held at fair value through profit or loss, the cumulative gain or loss previously recognised in other comprehensive income is transferred to the profit or loss.

For financial assets held at fair value through other comprehensive income that are reclassified to financial assets held at amortised cost, the cumulative gain or loss previously recognised in other comprehensive income is adjusted against the fair value of the financial asset such that the financial asset is recorded at a value as if it had always been held at amortised cost. In addition, the related cumulative expected credit losses held within other comprehensive income are reversed against the gross carrying value of the reclassified assets at the date of reclassification.

Reclassified from fair value through profit or loss

Where financial assets held at fair value through profit or loss are reclassified to financial assets held at air value through other comprehensive income or financial assets held at amortised cost, the fair value at the date of reclassification is used to determine the effective interest rate on the financial asset going forward. In addition, the date of reclassification is used as the date of initial recognition for the calculation of expected credit losses. Where financial assets held at fair value through profit or loss are reclassified to financial assets held at amortised cost, the fair value at the date of reclassification becomes the gross carrying value of the financial asset.

13. Financial instruments continued

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		–	–	–	–	–	–	72,663	72,663
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		1,491	–	2,356	–	–	3,847	–	3,847
Loans and advances to customers[1]		5,813	–	4,140	–	–	9,953	–	9,953
Reverse repurchase agreements and other similar secured lending	16	–	–	80,009	–	–	80,009	–	80,009
Debt securities, alternative tier one and other eligible bills		28,801	–	463	161	–	29,425	–	29,425
Equity shares		5,653	–	208	–	–	5,861	–	5,861
Other assets		–	–	26	–	–	26	–	26
		41,758	–	87,202	161	–	129,121	–	129,121
Derivative financial instruments	14	51,002	1,443	–	–	–	52,445	–	52,445
Loans and advances to banks[1]	15	–	–	–	–	–	–	44,383	44,383
of which – reverse repurchase agreements and other similar secured lending	16	–	–	–	–	–	–	1,079	1,079
Loans and advances to customers[1]	15	–	–	–	–	–	–	298,468	298,468
of which – reverse repurchase agreements and other similar secured lending	16	–	–	–	–	–	–	7,331	7,331
Investment securities									
Debt securities, alternative tier one and other eligible bills		–	–	–	–	121,375	121,375	41,325	162,700
Equity shares		–	–	–	–	737	737	–	737
		–	–	–	–	122,112	122,112	41,325	163,437
Other assets	20	–	–	–	–	–	–	40,068	40,068
Assets held for sale	21	–	–	–	43	–	43	52	95
Total at 31 December 2021		92,760	1,443	87,202	204	122,112	303,721	496,959	800,680

1 Further analysed in Risk review and Capital review (pages 200 to 293)

13. Financial instruments continued

Assets	Notes	Assets at fair value: Trading $million	Derivatives held for hedging $million	Non-trading mandatorily at fair value through profit or loss $million	Designated at fair value through profit or loss $million	Fair value through other comprehensive income $million	Total financial assets at fair value $million	Assets held at amortised cost $million	Total $million
Cash and balances at central banks		–	–	–	–	–	–	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	16	–	–	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		–	–	–	–	–	–	–	–
		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]	15	–	–	–	–	–	–	44,347	44,347
of which – reverse repurchase agreements and other similar secured lending	16	–	–	–	–	–	–	1,247	1,247
Loans and advances to customers[1]	15	–	–	–	–	–	–	281,699	281,699
of which – reverse repurchase agreements and other similar secured lending	16	–	–	–	–	–	–	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	20	–	–	–	–	–	–	40,978	40,978
Assets held for sale	21	–	–	–	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 200 to 293)

13. Financial instruments continued

Liabilities	Notes	Liabilities at fair value: Trading $million	Liabilities at fair value: Derivatives held for hedging $million	Liabilities at fair value: Designated at fair value through profit or loss $million	Liabilities at fair value: Total financial liabilities at fair value $million	Amortised cost $million	Total $million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	1,352	1,352	–	1,352
Customer accounts		198	–	9,093	9,291	–	9,291
Repurchase agreements and other similar secured borrowing	16	–	–	62,388	62,388	–	62,388
Debt securities in issue	22	–	–	5,597	5,597	–	5,597
Short positions		6,562	–	–	6,562	–	6,562
Other liabilities		6	–	1	7	–	7
		6,766	–	78,431	85,197	–	85,197
Derivative financial instruments	14	52,706	693	–	53,399	–	53,399
Deposits by banks		–	–	–	–	30,041	30,041
Customer accounts		–	–	–	–	474,570	474,570
Repurchase agreements and other similar secured borrowing	16	–	–	–	–	3,260	3,260
Debt securities in issue	22	–	–	–	–	61,293	61,293
Other liabilities	23	–	–	–	–	43,432	43,432
Subordinated liabilities and other borrowed funds	27	–	–	–	–	16,646	16,646
Total at 31 December 2021		59,472	693	78,431	138,596	629,242	767,838

Liabilities	Notes	Liabilities at fair value: Trading $million	Liabilities at fair value: Derivatives held for hedging $million	Liabilities at fair value: Designated at fair value through profit or loss $million	Liabilities at fair value: Total financial liabilities at fair value $million	Amortised cost $million	Total $million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	1,249	1,249	–	1,249
Customer accounts		–	–	8,897	8,897	–	8,897
Repurchase agreements and other similar secured borrowing	16	–	–	48,662	48,662	–	48,662
Debt securities in issue	22	–	–	5,811	5,811	–	5,811
Short positions		3,754	–	–	3,754	–	3,754
Other liabilities		–	–	–	–	–	–
		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	16	–	–	–	–	1,903	1,903
Debt securities in issue	22	–	–	–	–	55,550	55,550
Other liabilities	23	–	–	–	–	47,228	47,228
Subordinated liabilities and other borrowed funds	27	–	–	–	–	16,654	16,654
Total at 31 December 2020		73,544	1,743	64,619	139,906	590,929	730,835

Interest rate benchmark reform

In 2017, the Financial Conduct Authority (FCA) announced that it had reached an agreement with LIBOR panel banks to contribute to LIBOR until the end of 2021, after which there would be a transition from LIBORs to risk-free rates (RFRs). Since then, there have been further updates, particularly with respect to the cessation date for certain USD LIBOR tenors being deferred from 31 December 2021 to 30 June 2023.

How the Group is managing the transition to alternative benchmark rates

In 2018, the Group established its IBOR Transition Programme, with Senior Manager oversight from the Group Chief Operating Officer, to manage the transition away from LIBOR. The Programme's strategic bank-wide approach aims to support clients throughout the transition, while ensuring key risks and issues are identified and effectively managed. The Programme is governed by a principal Programme Steering Committee that oversees 16 workstreams aligned to the Group's businesses and functions. Within the Programme, separate committee meetings are held for each workstream, with all workstreams having dedicated accountable executives.

Additional governance is supported by regular updates provided to senior risk committees, including the Group Risk Committee, Board Risk Committee and the Corporate, Commercial and Institutional Banking Risk Committee.

From an industry and regulatory perspective, the Group actively participates in and contributes to RFR working groups, industry associations and business forums that focus on different aspects of the transition. The Group monitors the developments at these forums and reflects, then aligns significant decisions into its broader transition plans.

Progress during 2021

Supported by a number of system enhancements, the Group has successfully enabled the transition to RFR products, with end-to-end capabilities developed across a full suite of derivative and cash products. The Group maintained full adherence to all the interim GBP LIBOR cessation milestones set by the Bank of England's Working Group on Sterling Risk-Free Reference Rates. Activity in products referencing RFRs continued to grow throughout the year.

The Group has adhered to the International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol for all its trading entities and engaged clients that had not adhered to negotiate remediation of non-USD LIBOR contracts by 31 December 2021. The conversion events at the London Clearing House were successfully completed for cleared derivatives. At the end of 2021, remediation of all cleared and uncleared derivative contracts referencing ceasing LIBORs was complete.

Clients with legacy non-USD LIBOR loans were engaged to remediate their contracts via active conversions to alternative rates, fallbacks, or other suitable transition mechanisms. At end of 2021, all negotiations for drawn non-USD LIBOR exposures were concluded, and all but four loans had their documentation completed (it is expected the documentation will be finished prior to the respective next fixing dates).

The Group is well-positioned to support the transition to Secured Overnight Financing Rate (SOFR) for the USD LIBOR transition. The Group is operationally ready and is actively offering SOFR products, in line with the regulatory prohibitions on new USD LIBOR financial instruments. Preparations are also underway to ensure that the Group is ready to remediate legacy USD LIBOR transactions. Over the course of 2021, the Group made considerable progress in automating IBOR-related data, and increasing process automation remains a priority for 2022.

Frontline and client engagement, including internal and client communications, frontline training, and client webinars, were a key feature of the Programme throughout 2021. This allowed for a smooth client experience during the transition of non-USD LIBOR to RFRs, and this approach will continue in 2022 for USD LIBOR. Following an initial USD LIBOR-focused client outreach and internal communications in early December 2021, the Group has already started engaging clients to ascertain their level of readiness, and to secure an indicative timeline for remediation activities.

Risks which the Group is exposed to due to IBOR transition

The Group has largely mitigated all material adverse outcomes associated with the cessation of LIBOR benchmarks, and these have not required a change to the Group's risk management strategy. However, the Group will continue to focus on the remediation required for other benchmarks, and will continue to monitor and manage the inherent risks of the transition, with particular attention being paid to the following:

- Legal Risk: LIBOR transition introduces significant legal risks and the Group has taken action to mitigate them where possible. These include risks around contracts that reference USD LIBOR and other LIBORs such as GBP and JPY. Steps have been taken to either insert robust fallbacks or actively convert transactions from the relevant LIBOR to the new RFR-based options
- Conduct Risk: The Group considers Conduct Risk to be a significant area of non-financial risk management throughout the transition. Our risk appetite statement on Conduct Risk strives to maintain appropriate outcomes by continuously demonstrating that we are 'Doing the Right Thing' in the way we do business. Accordingly, we recognise that the identification and mitigation of conduct risks arising in respect of the transition are fundamental to the successful transition to new RFR-based rates by 30 June 2023. The Group has therefore taken actions in this regard as an integral part of its IBOR Transition Programme, including an extensive outreach programme

13. Financial instruments continued

- Operational Risk: The Group has recognised the importance of the ongoing identification and management of Operational Risk as a result of LIBOR transition. The Programme has adopted the Group's existing Operational Risk Framework in its approach to identifying, quantifying, and mitigating the impact of operational risks resulting from the transition
- Market Risk: As trades are transitioned from IBOR to RFR, the business-as-usual metrics, limit structure and controls will continue to apply. Limits for value at risk and Market Risk sensitivities are in accordance with the Group Risk Appetite Statement. New limits will be set following engagement with the business, to consider client demand and market liquidity in RFR-linked products, as well as the regulatory expectations and interim milestones agreed by the industry
- Financial and Credit Risk: As part of the 'Data collection on exposures' exercise undertaken for the Prudential Regulation Authority and FCA, the Group set out its view of the impact of LIBOR transition on its Financial Risk profile, including its Credit Risk and funding profile. At present, the Group has yet to see any material change to any of these categories. However, all of these risks will continue to be monitored as part of the Programme across business and functional workstreams
- Accounting Risk: The Group has identified the financial instruments that may be affected by accounting issues such as accounting for contractual changes due to IBOR reform, fair value measurement and hedge accounting. We continue to monitor and contribute to industry developments on tax and accounting changes

At 31 December 2021, the Group had the following notional principal exposures to interest rate benchmarks that are expected to be subject to interest rate benchmark reform. The Group has excluded financial instruments linked to USD LIBOR maturing before 30 June 2023 as it is assumed these will not require reform due to USD LIBOR no longer being published beyond this date. The Group has also excluded $2.7 billion of exposures that transitioned under fallback clauses immediately after 31 December 2021.

IBOR exposures by benchmark as of 31 December 2021	USD LIBOR $million	GBP LIBOR $million	SGD SOR $million	THB FIX $million	Other IBOR $million	Total IBOR $million
Assets						
Loans and advances to banks	552	–	–	–	–	552
Loans and advances to customers	27,843	123[1]	1,479	15	58	29,518
Debt securities, Additional Tier 1 and other eligible bills	2,735	237[1]	17	–	–	2,989
	31,130	360	1,496	15	58	33,059
Liabilities						
Deposits by banks	815	–	–	–	–	815
Customer accounts	3,575	–	1	36	–	3,612
Repurchase agreements and other secured borrowing	671	–	–	–	–	671
Debt securities in issue	326	–	–	–	–	326
Subordinated liabilities and other borrowed funds	160	–	–	–	–	160
	5,547	–	1	36	–	5,584
Derivatives – Foreign exchange contracts						
Currency swaps and options	158,184	–	3,877	1,725	–	163,786
Derivatives – Interest rate contracts						
Swaps	686,403	–	10,091	51,395	–	747,889
Forward rate agreements and options	28,406	–	74	124	–	28,604
Exchange traded futures and options	24,236	–	–	–	–	24,236
Equity and stock index options	74	–	–	–	–	74
Credit derivative contracts	5,515	–	72	277	–	5,864
Total IBOR derivative exposure	902,818	–	14,114	53,521	–	970,453
Total IBOR exposure	939,495	360	15,611	53,572	58	1,009,096
Loan commitments off balance sheet	4,161	285	179	–	966	5,591

1 Residual GBP LIBOR exposures are mainly due to debt security assets where the issuers have yet to confirm revised instrument terms, and loans to customers where the terms of remediation have been agreed but legal documentation is not complete. It is expected that these exposures will be remediated before their next interest rate fixing, however, should this not be achieved a 'synthetic LIBOR' based on Term SONIA will apply

13. Financial instruments continued

IBOR exposures by benchmark as at 31 December 2020	USD LIBOR $million	GBP LIBOR $million	SGD SOR $million	THB FIX $million	Other IBOR $million	Total IBOR $million
Assets						
Loans and advances to banks	1,072	55	–	–	–	1,127
Loans and advances to customers	34,143	2,861	2,011	33	905	39,953
Debt securities, Additional Tier 1 and other eligible bills	3,984	1,409	365	–	170	5,928
	39,199	4,325	2,376	33	1,075	47,008
Liabilities						
Deposits by banks	399	–	–	–	–	399
Customer accounts	4,239	19	2	42	189	4,491
Repurchase agreements and other secured borrowing	1,195	–	–	–	–	1,195
Debt securities in issue	2,159	–	–	–	–	2,159
Subordinated liabilities and other borrowed funds	160	15	–	–	–	175
	8,152	34	2	42	189	8,419
Derivatives – Foreign exchange contracts						
Currency swaps and options	202,086	34,205	5,125	1,998	21,658	265,072
Derivatives – Interest rate contracts						
Swaps	839,653	104,763	72,849	27,013	43,653	1,087,931
Forward rate agreements and options	21,634	523	76	55	2,527	24,815
Exchange traded futures and options	63,239	1,445	–	–	–	64,684
Equity and stock index options	75	2	–	–	–	77
Credit derivative contracts	4,466	–	–	134	–	4,600
Total IBOR derivative exposure	1,131,153	140,938	78,050	29,200	67,838	1,447,179
Total IBOR exposure	1,178,504	145,297	80,428	29,275	69,102	1,502,606
Loan commitments off balance sheet	7,176	763	206	1	1,496	9,642

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In practice, for credit mitigation, the Group is able to offset assets and liabilities which do not meet the IAS 32 netting criteria set out below. Such arrangements include master netting arrangements for derivatives and global master repurchase agreements for repurchase and reverse repurchase transactions. These agreements generally allow that all outstanding transactions with a particular counterparty can be offset, but only in the event of default or other predetermined events.

In addition, the Group also receives and pledges readily realisable collateral for derivative transactions to cover net exposure in the event of a default. Under repurchase and reverse repurchase agreements, the Group pledges (legally sells) and obtains (legally purchases) respectively, highly liquid assets which can be sold in the event of a default.

The following tables set out the impact of netting on the balance sheet. This comprises derivative transactions settled through an enforceable netting agreement where we have the intent and ability to settle net and which are offset on the balance sheet.

	2021					
				Related amount not offset in the balance sheet		
	Gross amounts of recognised financial instruments $million	Impact of offset in the balance sheet $million	Net amounts of financial instruments presented in the balance sheet $million	Financial instruments $million	Financial collateral $million	Net amount $million
Assets						
Derivative financial instruments	**79,043**	**(26,598)**	**52,445**	**(39,502)**	**(8,092)**	**4,851**
Reverse repurchase agreements and other similar secured lending	**95,845**	**(7,426)**	**88,419**	**–**	**(88,419)**	**–**
At 31 December 2021	**174,888**	**(34,024)**	**140,864**	**(39,502)**	**(96,511)**	**4,851**
Liabilities						
Derivative financial instruments	**79,997**	**(26,598)**	**53,399**	**(39,502)**	**(9,217)**	**4,680**
Repurchase agreements and other similar secured borrowing	**73,074**	**(7,426)**	**65,648**	**–**	**(65,648)**	**–**
At 31 December 2021	**153,071**	**(34,024)**	**119,047**	**(39,502)**	**(74,865)**	**4,680**

13. Financial instruments continued

	2020					
				Related amount not offset in the balance sheet		
	Gross amounts of recognised financial instruments $million	Impact of offset in the balance sheet $million	Net amounts of financial instruments presented in the balance sheet $million	Financial instruments $million	Financial collateral $million	Net amount $million
Assets						
Derivative financial instruments	111,979	(42,512)	69,467	(47,097)	(10,136)	12,234
Reverse repurchase agreements and other similar secured lending	75,490	(7,919)	67,571	–	(67,571)	–
At 31 December 2020	187,469	(50,431)	137,038	(47,097)	(77,707)	12,234
Liabilities						
Derivative financial instruments	114,045	(42,512)	71,533	(47,097)	(11,757)	12,679
Repurchase agreements and other similar secured borrowing	58,484	(7,919)	50,565	–	(50,565)	–
At 31 December 2020	172,529	(50,431)	122,098	(47,097)	(62,322)	12,679

Related amounts not offset in the balance sheet comprise:

- Financial instruments not offset in the balance sheet but covered by an enforceable netting arrangement. This comprises master netting arrangements held against derivative financial instruments and excludes the effect of over-collateralisation
- Financial instruments where a legal opinion evidencing enforceability of the right of offset may not have been sought, or may have been unable to obtain
- Financial collateral comprises cash collateral pledged and received for derivative financial instruments and collateral bought and sold for reverse repurchase and repurchase agreements respectively, and excludes the effect of over-collateralisation

Financial liabilities designated at fair value through profit or loss

	2021 $million	2020 $million
Carrying balance aggregate fair value	**78,431**	64,619
Amount contractually obliged to repay at maturity	**78,691**	64,405
Difference between aggregate fair value and contractually obliged to repay at maturity	**(260)**	214
Cumulative change in fair value accredited to Credit Risk difference	**3**	(43)

The net fair value loss on financial liabilities designated at fair value through profit or loss was $133 million for the 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.

Valuation of financial instruments

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments held by the Group. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non market observable inputs. Valuation techniques used include discounted cashflow 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 that 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 (PV) may include data sourced from recent trade data involving external counterparties or third parties such as Bloomberg, Reuters, brokers and consensus pricing providers. Valuation Methodology perform an ongoing review of the market data sources that are used as part of the PV and fair value processes which are formally documented on a semi-annual basis, detailing the suitability of the market data used for price testing. PV 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.

13. Financial instruments continued

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 351)
- 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 353)
- 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 353)

- **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 cashflow models with input parameter assumptions, which include prepayment speeds, default rates, discount margins derived from comparable securities with similar vintage, collateral type, and credit ratings
  - **Debt securities in issue:** These debt securities relate to structured notes issued by the Group. Where independent market data is available through pricing vendors and broker sources, these positions are classified as Level 2. Where such liquid external prices are not available, valuations of these debt securities are implied using input parameters such as bond spreads and credit spreads, and are classified as Level 3. These input parameters are determined with reference to the same issuer (if available) or proxies from comparable issuers or assets
  - **Derivatives:** Derivative products are classified as Level 2 if the valuation of the product is based upon input parameters which are observable from independent and reliable market data sources. Derivative products are classified as Level 3 if there are significant valuation input parameters which are unobservable in the market, such as products where the performance is linked to more than one underlying variable. Examples are foreign exchange basket options, equity options based on the performance of two or more underlying indices and interest rate products with quanto payouts. In most cases these unobservable correlation parameters cannot be implied from the market, and methods such as historical analysis and comparison with historical levels or other benchmark data must be employed
  - **Equity shares - private equity:** The majority of private equity unlisted investments are valued based on earning multiples – Price-to-Earnings (P/E) or enterprise value to earnings before income tax, depreciation and amortisation (EV/EBITDA) ratios – of comparable listed companies. The two primary inputs for the valuation of these investments are the actual or forecast earnings of the investee companies and earning multiples for the comparable listed companies. To ensure comparability between these unquoted investments and the comparable listed companies, appropriate adjustments are also applied (for example, liquidity and size) in the valuation. In circumstances where an investment does not have direct comparables, or where the multiples for the comparable companies cannot be sourced from reliable external sources, alternative valuation techniques (for example, discounted cashflow 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 cashflow method is applied
  - **Loans and advances:** These primarily include loans in the FM Bond and Loan Syndication business which were not syndicated as of the balance sheet date and other financing transactions within Financial Markets, and loans and advances including reverse repurchase agreements that do not have SPPI cashflows 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

13. Financial instruments continued

- **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 cashflow 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 cashflows 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 cashflows
- **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 cashflows 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 cashflows 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 year $million	31.12.21 $million	01.01.20 $million	Movement during the year $million	31.12.20 $million
Bid-offer valuation adjustment	**103**	**(2)**	**101**	79	24	103
Credit valuation adjustment	**189**	**(24)**	**165**	136	53	189
Debit valuation adjustment	**(55)**	**(15)**	**(70)**	(43)	(12)	(55)
Model valuation adjustment	**5**	**–**	**5**	7	(2)	5
Funding valuation adjustment	**5**	**(5)**	**–**	26	(21)	5
Other fair value adjustments	**32**	**(12)**	**20**	45	(13)	32
Total	**279**	**(58)**	**221**	250	29	279
Income deferrals						
Day 1 and other deferrals	**138**	**9**	**147**	103	35	138
Total	**138**	**9**	**147**	103	35	138

Note: Bracket represents an asset and credit to the income statement

13. Financial instruments continued

- **Bid-offer valuation adjustment:** Generally, market parameters are marked on a mid-market basis in the revaluation systems, and a bid-offer valuation adjustment is required to quantify the expected cost of neutralising the business' positions through dealing away in the market, thereby bringing long positions to bid and short positions to offer. The methodology to calculate the bid-offer adjustment for a derivative portfolio involves netting between long and short positions and the grouping of risk by strike and tenor based on the hedging strategy where long positions are marked to bid and short positions marked to offer in the systems
- **Credit valuation adjustment (CVA):** The Group accounts for CVA against the fair value of derivative products. CVA is an adjustment to the fair value of the transactions to reflect the possibility that our counterparties may default and we may not receive the full market value of the outstanding transactions. It represents an estimate of the adjustment a market participant would include when deriving a purchase price to acquire our exposures. CVA is calculated for each subsidiary, and within each entity for each counterparty to which the entity has exposure and takes account of any collateral we may hold. The Group calculates the CVA by using estimates of future positive exposure, market-implied probability of default (PD) and recovery rates. Where market-implied data is not readily available, we use market-based proxies to estimate the PD. Wrong-way risk occurs when the exposure to a counterparty is adversely correlated with the credit quality of that counterparty, and the Group has implemented a model to capture this impact for key wrong-way exposures. The Group also captures the uncertainties associated with wrong-way risk in the Group's Prudential Valuation Adjustments framework
- **Debit valuation adjustment (DVA):** The Group calculates DVA adjustments on its derivative liabilities to reflect changes in its own credit standing. The Group's DVA adjustments will increase if its credit standing worsens and conversely, decrease if its credit standing improves. For derivative liabilities, a DVA adjustment is determined by applying the Group's probability of default to the Group's negative expected exposure against the counterparty. The Group's probability of default and loss expected in the event of default is derived based on bond and credit default swap (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 adjustment 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 OCA component is reported under other comprehensive income. The Group's OCA reserve will increase if its credit standing worsens and, conversely, decrease if its credit standing improves. The Group's OCA reserve will reverse over time as its liabilities mature. The OCA at 31 December 2021 is a gain of $3 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 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	–	3,838	9	3,847
Loans and advances to customers	–	8,596	1,357	9,953
Reverse repurchase agreements and other similar secured lending	–	78,443	1,566	80,009
Debt securities and other eligible bills	12,057	17,019	349	29,425
Of which:				
Issued by central banks & governments	10,731	7,201	–	17,932
Issued by corporates other than financial institutions[1]	1	3,750	111	3,862
Issued by financial institutions[1]	1,325	6,068	238	7,631
Equity shares	5,637	38	186	5,861
Derivative financial instruments	1,066	51,289	90	52,445
Of which:				
Foreign exchange	161	41,577	10	41,748
Interest rate	9	6,314	53	6,376
Credit	–	2,265	24	2,289
Equity and stock index options	–	133	3	136
Commodity	896	1,000	–	1,896
Investment securities				
Debt securities and other eligible bills	51,298	70,037	40	121,375
Of which:				
Issued by central banks & governments	39,590	24,651	40	64,281
Issued by corporates other than financial institutions[1]	–	1,963	–	1,963
Issued by financial institutions[1]	11,708	43,423	–	55,131
Equity shares	227	17	493	737
Other assets	–	–	26	26
Total financial instruments at 31 December 2021[2]	70,285	229,277	4,116	303,678
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	1,069	283	1,352
Customer accounts	–	8,837	454	9,291
Repurchase agreements and other similar secured borrowing	–	62,388	–	62,388
Debt securities in issue	–	4,776	821	5,597
Short positions	4,187	2,375	–	6,562
Derivative financial instruments	949	52,356	94	53,399
Of which:				
Foreign exchange	169	41,555	3	41,727
Interest rate	7	6,448	16	6,471
Credit	–	3,084	41	3,125
Equity and stock index options	–	126	34	160
Commodity	773	1,143	–	1,916
Other liabilities	–	6	1	7
Total financial instruments at 31 December 2021[2]	5,136	131,807	1,653	138,596

1 Includes covered bonds of $7,326 million, securities issued by Multilateral Development Banks/International Organisations of $12,109 million and State-owned agencies and development banks of $19,959 million

2 The above table does not include held for sale assets of $43 million and liabilities of $nil. These are reported in Note 21 together with their fair value hierarchy

There were no significant changes to valuation or levelling approaches in 2021.

There were no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the year.

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:				
Issued by central banks & governments[1]	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:				
Issued by central banks & governments[1]	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[3]	81,931	225,210	2,948	310,089
Liabilities				
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
Other liabilities	–	–	–	–
Total financial instruments at 31 December 2020[3]	2,986	136,474	446	139,906

1 Represented to reflect correct classification of counterparty types. There has been no change to the levelling approach or between FVTPL and Investment securities categories due to the restatement

2 Includes covered bonds of $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)

3 The above table does not include held for sale assets of $5 million and liabilities of $nil. These are reported in Note 21 together with their fair value hierarchy

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]	**72,663**	**–**	**72,663**	**–**	**72,663**
Loans and advances to banks	**44,383**	**–**	**44,383**	**–**	**44,383**
of which – reverse repurchase agreements and other similar secured lending	**1,079**	**–**	**1,079**	**–**	**1,079**
Loans and advances to customers	**298,468**	**–**	**42,136**	**256,289**	**298,425**
of which – reverse repurchase agreements and other similar secured lending	**7,331**	**–**	**3,764**	**3,567**	**7,331**
Investment securities[2]	**41,325**	**–**	**41,864**	**–**	**41,864**
Other assets[1]	**40,068**	**–**	**40,067**	**1**	**40,068**
Assets held for sale	**52**	**–**	**–**	**52**	**52**
At 31 December 2021	**496,959**	**–**	**241,113**	**256,342**	**497,455**
Liabilities					
Deposits by banks	**30,041**	**–**	**30,041**	**–**	**30,041**
Customer accounts	**474,570**	**–**	**474,645**	**–**	**474,645**
Repurchase agreements and other similar secured borrowing	**3,260**	**–**	**3,260**	**–**	**3,260**
Debt securities in issue	**61,293**	**26,073**	**35,503**	**–**	**61,576**
Subordinated liabilities and other borrowed funds	**16,646**	**16,811**	**519**	**–**	**17,330**
Other liabilities[1]	**43,432**	**–**	**43,431**	**1**	**43,432**
At 31 December 2021	**629,242**	**42,884**	**587,399**	**1**	**630,284**

		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 $17,153 million at 31 December 2021 and $ 7,371 million at 31 December 2020

13. Financial instruments continued

Loans and advances to customers by client segment[1]

	2021					
	Carrying value			Fair value		
	Stage 3 $million	**Stage 1 and stage 2 $million**	**Total $million**	**Stage 3 $million**	**Stage 1 and stage 2 $million**	**Total $million**
Corporate, Commercial & Institutional Banking	**2,659**	**136,742**	**139,401**	**2,750**	**136,463**	**139,213**
Consumer, Private & Business Banking	**779**	**135,739**	**136,518**	**780**	**135,870**	**136,650**
Central & other items	**–**	**22,549**	**22,549**	**–**	**22,562**	**22,562**
At 31 December 2021	**3,438**	**295,030**	**298,468**	**3,530**	**294,895**	**298,425**

	2020					
	Carrying value			Fair value		
	Stage 3 $million	Stage 1 and stage 2 $million	Total $million	Stage 3 $million	Stage 1 and stage 2 $million	Total $million
Corporate, Commercial & Institutional Banking[2]	3,042	130,415	133,457	3,109	129,961	133,070
Consumer, Private & Business Banking[2]	831	128,262	129,093	838	128,079	128,917
Central & other items	–	19,149	19,149	–	19,149	19,149
At 31 December 2020	3,873	277,826	281,699	3,947	277,189	281,136

1 Loans and advances include reverse repurchase agreements and other similar secured lending: carrying value $7,331 million and fair value $7,331 million (31 December 2020: $2,919 million and $2,922 million respectively)

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

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 31 December 2021 Assets $million	Value as at 31 December 2021 Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to banks	9	–	Discounted cashflows	Recovery rates	87.3%–100%	93.6%
Loans and advances to customers	1,357	–	Discounted cashflows	Price/yield	0.2% – 11.8%	3.1%
				Recovery rates	10.6% – 100%	87.8%
Reverse repurchase agreements and other similar secured lending	1,566	–	Discounted cashflows	Repo curve	0.3%–3.0%	2.4%
Debt securities, alternative tier one and other eligible securities	349	–	Discounted cashflows	Price/yield	5.1% – 12.4%	7.5%
				Recovery rates	0.01% – 1.0%	0.2%
Government bonds and Treasury bills	40	–	Discounted cashflows	Price/yield	2.7% – 5.5%	3.7%
Asset-backed securities	–	–	Discounted cashflows	Price/yield	N/A	N/A
Equity shares (includes private equity investments)	679	–	Comparable pricing/ yield	EV/EBITDA multiples	6.1x–15.3x	8.6x
				EV/Revenue multiples	10.1x	10.1x
				P/E multiples	12.6x–25.3x	14.9x
				P/B multiples	0.4x–3.3x	1.4x
				P/S multiples	1.8x–2.6x	1.8x
				Liquidity discount	7.9%–29.2%	16.5%
			Discounted cashflows	Discount rates	6.0%–17.4%	8.6%
			Option pricing model	EV/Revenue multiples	4.0x–85.5x	12.1x
				Volatility	55.0%–65.0%	60.3%
Other assets	26	–	NAV	N/A	N/A	N/A
Derivative financial instruments of which:						
Foreign exchange	10	3	Option pricing model	Foreign exchange option implied volatility	3.1% – 6.1%	5.1%
			Discounted cashflows	Foreign exchange curves	(16.4)% – 57.3%	9.0%
Interest rate	53	16	Discounted cashflows	Interest rate curves	(16.4)%-18.8%	5.0%
			Option pricing model	Bond option implied volatility	N/A	N/A
Credit	24	41	Discounted cashflows	Credit spreads	0.1%–11.5%	1.0%
				Price/yield	5.9% –7.3%	6.6%
Equity and stock index	3	34	Internal pricing model	Equity correlation	8.0% – 96.0%	70.0%
				Equity-FX correlation	(70.0)%-85.0%	(33.0)%
Deposits by banks	–	283	Discounted cashflows	Credit spreads	0.4% – 3.0%	1.4%
				Price/yield	6.8%–8.3%	7.5%
Customer accounts	–	454	Discounted cashflows	Credit spreads	1.0% – 2.0%	1.2%
				Interest rate curves	0.9%–5.6%	4.7%
				Price/yield	8.9%–12.1%	10.1%
Debt securities in issue	–	821	Discounted cashflows	Credit spreads	0.9%–2.2%	1.0%
				Interest rate curves	0.9% – 5.6%	4.9%
			Internal pricing model	Equity correlation	8.0% – 96.0%	70.0%
				Equity-FX correlation	(70.0)%-85.0%	(33.0)%
Other liabilities	–	1	Comparable pricing/ yield	EV/EBITDA multiples	3.07x–9.95x	6.84x
Total	4,116	1,653				

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 at 31 December 2021. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments

2 Weighted average for non-derivative financial instruments has been calculated by weighting inputs by the relative fair value. Weighted average for derivatives has been provided by weighting inputs by the risk relevant to that variable. N/A has been entered for the cases where weighted average is not a meaningful indicator

13. Financial instruments continued

Level 3 summary and significant unobservable inputs continued

Instrument	Value as at 31 December 2020 Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to banks	200	–	Discounted cashflows	Price/yield	12.7%–12.9%	12.8%
Loans and advances to customers	718	–	Discounted cashflows	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 cashflows	Repo curve	1.0%–3.2%	2.8%
Debt securities, alternative tier one and other eligible securities	171	–	Discounted cashflows	Price/yield	4.7%–11.5%	10.5%
Government bonds and Treasury bills	40	–	Discounted cashflows	Price/yield	2.8% – 5.5%	3.6%
Asset-backed securities	87	–	Discounted cashflows	Price/yield	8.3%–12.0%	11.7%
				Recovery rates	55.0%	55.0%
Equity shares (includes private equity investments)	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 cashflows	Discount rates	6.0% – 15.0%	9.1%
Other assets	–	–				
Derivative financial instruments of which:						
Foreign exchange	3	2	Option pricing model	Foreign exchange option implied volatility	N/A	N/A
			Discounted cashflows	Foreign exchange curves	2.7%–5.6%	4.1%
Interest rate	2	26	Discounted cashflows	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 cashflows	Credit spreads	2.0%	2.0%
Equity and stock index	1	5	Internal pricing model	Equity correlation	20.0% – 90.0%	49.0%
				Equity-FX correlation	(70.0)% – 80.0%	(59.0)%
Deposits by banks	–	146	Discounted cashflows	Credit spreads	1.0% – 1.4%	1.1%
				Bond option implied volatility	N/A	N/A
Customer accounts	–	21	Discounted cashflows	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 cashflows	Credit spreads	0.1% – 11.5%	2.3%
			Internal pricing model	Equity correlation	20.0% – 90.0%	49.0%
				Equity-FX correlation	(70.0)% – 80.0%	(59.0)%
Other liabilities	–	–				
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 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

Level 3 Summary and significant unobservable inputs 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 cashflows in a discounted cashflow model. Valuation using comparable instruments can be done by calculating an implied yield (or spread over a liquid benchmark) from the price of a comparable instrument, then adjusting that yield (or spread) to derive a value for the instrument. The adjustment should account for relevant differences in the financial instruments such as maturity and/or credit quality. Alternatively, a price-to-price basis can be assumed between the comparable instrument and the instrument being valued in order to establish the value of the instrument (for example, deriving a fair value for a junior unsecured bond from the price of a senior secured bond). An increase in price, in isolation, would result in a favourable movement in the fair value of the asset. An increase in yield, in isolation, would result in an unfavourable movement in the fair value of the asset
- **Correlation** is the measure of how movement in one variable influences the movement in another variable. An equity correlation is the correlation between two equity instruments, while an interest rate correlation refers to the correlation between two swap rates
- **Credit spread** represents the additional yield that a market participant would demand for taking exposure to the Credit Risk of an instrument
- **Discount rate** refers to the rate of return used to convert expected cash flows into present value
- **Equity-FX correlation** is the correlation between equity instrument and foreign exchange instrument
- **EV/EBITDA multiple** is the ratio of Enterprise Value (EV) to Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA). EV is the aggregate market capitalisation and debt minus the cash and cash equivalents. An increase in EV/EBITDA multiple will result in a favourable movement in the fair value of the unlisted firm
- **EV/Revenue multiple** is the ratio of Enterprise Value (EV) to Revenue. An increase in EV/Revenue multiple will result in a favourable movement in the fair value of the unlisted firm
- **Foreign exchange curves** is the term structure for forward rates and swap rates between currency pairs over a specified period
- **Net asset value (NAV)** is the value of an entity's assets after deducting any liabilities
- **Interest rate curves** is the term structure of interest rates and measure of future interest rates at a particular point in time
- **Liquidity discounts in the valuation of unlisted investments** primarily applied to the valuation of unlisted firms' investments to reflect the fact that these stocks are not actively traded. An increase in liquidity discount will result in unfavourable movement in the fair value of the unlisted firm
- **Price-Earnings (P/E) multiple** is the ratio of the market value of the equity to the net income after tax. An increase in P/E multiple will result in a favourable movement in the fair value of the unlisted firm
- **Price-Book (P/B) multiple** is the ratio of the market value of equity to the book value of equity. An increase in P/B multiple will result in a favourable movement in the fair value of the unlisted firm
- **Price-Sales (P/S) multiple** is the ratio of the market value of equity to sales. An increase in P/S multiple will result in a favourable movement in the fair value of the unlisted firm
- **Recovery rates** are the expectation of the rate of return resulting from the liquidation of a particular loan. As the probability of default increases for a given instrument, the valuation of that instrument will increasingly reflect its expected recovery level assuming default. An increase in the recovery rate, in isolation, would result in a favourable movement in the fair value of the loan
- **Repo curve** is the term structure of repo rates on repos and reverse repos at a particular point in time
- **Volatility** represents an estimate of how much a particular instrument, parameter or index will change in value over time. Generally, the higher the volatility, the more expensive the option will be

13. Financial instruments continued

Level 3 movement tables – financial assets

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

	2021									
	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	(97)	2	(24)	(30)	–	34	–	–	(114)
Net trading income	1	(97)	2	(23)	(30)	–	34	–	–	(113)
Other operating income	–	–	–	(1)	–	–	–	–	–	(1)
Total gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	–	3	61	64
Fair value through OCI reserve	–	–	–	–	–	–	–	6	63	69
Exchange difference	–	–	–	–	–	–	–	(3)	(2)	(5)
Purchases	9	1,281	4,973	387	7	–	91	–	123	6,871
Issues										
Sales	–	(687)	(4,392)	(226)	(55)	–	(32)	–	(9)	(5,401)
Settlements	(201)	(302)	(81)	(70)	–	–	(5)	(13)	–	(672)
Transfers out[1]	–	(60)	–	–	(15)	–	(11)	–	(63)	(149)
Transfers in[2]	–	504	–	24	–	26	5	10	–	569
At 31 December 2021	**9**	**1,357**	**1,566**	**349**	**186**	**26**	**90**	**40**	**493**	**4,116**
Total unrealised gains/(losses) recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2021	–	–	–	8	(15)	–	19	–	–	12

1 Transfers out include loans and advances, derivative financial instruments 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, derivative financial instruments and other assets where the valuation parameters become unobservable during the year

13. Financial instruments continued

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

Level 3 movement tables – financial assets continued

	2020									
	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 2020	365	443	–	200	228	–	17	38	257	1,548
Total gains/(losses) recognised in income statement	16	(15)	1	(20)	(54)	–	(6)	–	–	(78)
Net trading income	16	(15)	1	(18)	(54)	–	(6)	–	–	(76)
Other operating income	–	–	–	(2)	–	–	–	–	–	(2)
Total gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	–	6	22	28
Fair value through OCI reserve	–	–	–	–	–	–	–	7	19	26
Exchange difference	–	–	–	–	–	–	–	(1)	3	2
Purchases	321	540	1,165	203	7	–	115	36	109	2,496
Issues										
Sales	(164)	(28)	(102)	(237)	(37)	–	(70)	–	(4)	(642)
Settlements	(416)	(567)	–	(68)	–	–	(7)	–	–	(1,058)
Transfers out[1]	–	(174)	–	(37)	(1)	–	(41)	(40)	(3)	(296)
Transfers in[2]	78	519	–	217	136	–	–	–	–	950
At 31 December 2020	200	718	1,064	258	279	–	8	40	381	2,948
Total unrealised (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2020	–	(6)	–	4	(3)	–	–	–	–	(5)

1 Transfers out include 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

	Deposits by banks $million	Customer accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Other Liabilities $million	Total $million
	2021					
At 1 January 2021	**146**	**21**	**160**	**119**	**–**	**446**
Total losses/(gains) recognised in income statement – net trading income	**8**	**(5)**	**(12)**	**(23)**	**–**	**(32)**
Issues	**269**	**803**	**1,615**	**166**	**–**	**2,853**
Settlements	**(145)**	**(365)**	**(986)**	**(181)**	**–**	**(1,677)**
Transfers out[1]	**–**	**–**	**(48)**	**(6)**	**–**	**(54)**
Transfers in[2]	**5**	**–**	**92**	**19**	**1**	**117**
At 31 December 2021	**283**	**454**	**821**	**94**	**1**	**1,653**
Total unrealised (gains) recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2021	**–**	**–**	**–**	**(14)**	**–**	**(14)**

	Deposits by banks $million	Customer Accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Other Liabilities $million	Total $million
	2020					
At 1 January 2020	56	40	410	57	–	563
Total losses/(gains) recognised in income statement – net trading income	7	(1)	(10)	12	–	8
Issues	136	90	557	201	–	984
Settlements	(53)	(116)	(575)	(118)	–	(862)
Transfers out[1]	–	–	(223)	(53)	–	(276)
Transfers in[2]	–	8	1	20	–	29
At 31 December 2020	146	21	160	119	–	446
Total unrealised losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2020	–	1	–	1	–	2

1 Transfers out during the year primarily 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, bank deposits 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	**1,366**	**1,398**	**1,328**	**–**	**–**	**–**
Reverse repurchase agreements and other similar secured lending	**1,566**	**1,579**	**1,550**	**–**	**–**	**–**
Asset-backed securities	**–**	**–**	**–**	**–**	**–**	**–**
Debt securities, alternative tier one and other eligible bills	**349**	**366**	**332**	**40**	**41**	**38**
Equity shares	**186**	**205**	**168**	**493**	**541**	**442**
Other assets	**26**	**29**	**24**	**–**	**–**	**–**
Derivative financial instruments	**(4)**	**10**	**(16)**	**–**	**–**	**–**
Customer accounts	**(454)**	**(447)**	**(461)**	**–**	**–**	**–**
Deposits by banks	**(283)**	**(278)**	**(287)**	**–**	**–**	**–**
Debt securities in issue	**(821)**	**(764)**	**(879)**	**–**	**–**	**–**
Other liabilities	**(1)**	**(1)**	**(1)**	**–**	**–**	**–**
At 31 December 2021	**1,930**	**2,097**	**1,758**	**533**	**582**	**480**
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)	–	–	–
Other liabilities	–	–	–	–	–	–
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	31.12.21 $million	31.12.20 $million
Held at fair value through profit or loss	Possible increase	**167**	123
	Possible decrease	**(172)**	(147)
Fair value through other comprehensive income	Possible increase	**49**	37
	Possible decrease	**(53)**	(37)

14. Derivative financial instruments

Accounting policy

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, Credit Risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments.

Derivatives are initially recognised and subsequently measured at fair value, with revaluation gains recognised in profit or loss (except where cashflow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within other comprehensive income).

Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cashflow models and option pricing models, as appropriate. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs which are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Hedge accounting

Under certain conditions, the Group may designate a recognised asset or liability, a firm commitment, highly probable forecast transaction or net investment of a foreign operation into a formal hedge accounting relationship with a derivative that has been entered to manage interest rate and/or foreign exchange risks present in the hedged item. The Group applies the 'Phase 1' hedge accounting requirements of IAS 39 Financial Instruments: Recognition and Measurement and the 'Phase 2' amendments to IFRS in respect of interest rate benchmark reform. There are three categories of hedge relationships:

- Fair value hedge: to manage the fair value of interest rate and/or foreign currency risks of recognised assets or liabilities or firm commitments
- Cashflow hedge: to manage interest rate or foreign exchange risk of highly probable future cashflows attributable to a recognised asset or liability, or a forecasted transaction
- Net investment hedge: to manage the structural foreign exchange risk of an investment in a foreign operation.

The Group formally documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions. This is described in more detail in the categories of hedges below.

The Group assesses, both at hedge inception and on a quarterly basis, whether the derivatives designated in hedge relationships are highly effective in offsetting changes in fair values or cashflows of hedged items. Hedges are considered to be highly effective if all the following criteria are met:

- At inception of the hedge and throughout its life, the hedge is prospectively expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk
- Actual results of the hedge are within a range of 80–125%. This is tested using regression analysis
- The regression co-efficient (R squared), which measures the correlation between the variables in the regression, is at least 80%
- In the case of the hedge of a forecast transaction, the transaction must have a high probability of occurring and must present an exposure to variations in cashflows that are expected to affect reported profit or loss. The Group assumes that any interest rate benchmarks on which hedged item cashflows are based are not altered by IBOR reform.

The Group discontinues hedge accounting in any of the following circumstances:

- The hedging instrument is not, or has ceased to be, highly effective as a hedge
- The hedging instrument has expired, is sold, terminated, or exercised
- The hedged item matures, is sold, or repaid
- The forecast transaction is no longer deemed highly probable
- The Group elects to discontinue hedge accounting voluntarily

For interest rate benchmarks deemed in scope of IBOR reform, if the actual result of a hedge is outside the 80-125% range, but the hedge passes the prospective assessment, then the Group will not de-designate the hedge relationship.

Under the Phase 2 Interest Rate Benchmark Reform amendments to IFRS 9 and IAS 39, the Group may change hedge designations and corresponding documentation without the hedge being discontinued where there is a change in interest rate benchmark of the hedged item, hedging instrument or designated hedged risk. Permitted changes include the right to:

- Redefine the description of the hedged item and/or hedging instrument
- Redefine the hedged risk to reference an alternative risk-free rate
- Change the method for assessing hedge effectiveness due to modifications required by IBOR reform
- Elect, on a hedge-by-hedge basis, to reset the cumulative fair value changes in the assessment of retrospective hedge effectiveness to zero

A hedge designation may be modified more than once, each time a relationship is affected as a direct result of IBOR reform.

14. Derivative financial instruments continued

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in net trading income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the remaining term to maturity of the hedged item. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement. For financial assets classified as fair value through other comprehensive income, the hedge accounting adjustment attributable to the hedged risk is included in net trading income to match the hedging derivative.

Cashflow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedging instruments are initially recognised in other comprehensive income, accumulating in the cashflow hedge reserve within equity. These amounts are subsequently recycled to the income statement in the periods when the hedged item affects profit or loss. Both the derivative fair value movement and any recycled amount are recorded in the 'Cashflow hedges' line item in other comprehensive income.

The Group assesses hedge effectiveness using the hypothetical derivative method, which creates a derivative instrument to serve as a proxy for the hedged transaction. The terms of the hypothetical derivative match the critical terms of the hedged item and it has a fair value of zero at inception. The hypothetical derivative and the actual derivative are regressed to establish the statistical significance of the hedge relationship. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the net trading income immediately.

If a cash flow hedge is discontinued, the amount accumulated in the cashflow hedge reserve is released to the income statement as and when the hedged item affects the income statement.

For interest rate benchmarks deemed in scope of IBOR reform, the Group will retain the cumulative gain or loss in the cashflow hedge reserve for designated cashflow hedges even though there is uncertainty arising from these reforms with respect to the timing and amount of the cashflows of the hedged items. Should the Group consider the hedged future cashflows are no longer expected to occur due to reasons other than IBOR reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

Net investment hedge

Hedges of net investments are accounted for in a similar manner to cashflow hedges, with gains and losses arising on the effective portion of the hedges recorded in the line 'Exchange differences on translation of foreign operations' in other comprehensive income, accumulating in the translation reserve within equity. These amounts remain in equity until the net investment is disposed of. The ineffective portion of the hedges is recognised in the net trading income immediately.

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

	2021			2020		
Derivatives	**Notional principal amounts $million**	**Assets $million**	**Liabilities $million**	Notional principal amounts $million	Assets $million	Liabilities $million
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	**3,750,151**	**30,256**	**30,068**	3,018,866	37,505	39,181
Currency swaps and options	**1,412,055**	**11,492**	**11,659**	1,423,520	17,142	17,904
	5,162,206	**41,748**	**41,727**	4,442,386	54,647	57,085
Interest rate derivative contracts:						
Swaps	**3,609,625**	**31,490**	**31,078**	3,165,532	52,755	50,982
Forward rate agreements and options	**127,287**	**1,328**	**1,859**	606,357	1,350	1,770
Exchange traded futures and options	**295,192**	**156**	**132**	261,372	233	184
	4,032,104	**32,974**	**33,069**	4,033,261	54,338	52,936
Credit derivative contracts	**184,953**	**2,289**	**3,125**	140,437	1,702	2,990
Equity and stock index options	**8,714**	**136**	**160**	6,018	110	260
Commodity derivative contracts	**113,807**	**1,896**	**1,916**	67,664	1,182	774
Gross total derivatives	**9,501,784**	**79,043**	**79,997**	8,689,766	111,979	114,045
Offset	**–**	**(26,598)**	**(26,598)**	–	(42,512)	(42,512)
Net total derivatives	**9,501,784**	**52,445**	**53,399**	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.

14. Derivative financial instruments continued

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 derivatives 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 245).

The Derivatives and Hedging sections of the Risk review and Capital review (page 226) explain the Group's risk management of derivative contracts and application of hedging.

Derivatives held for hedging

The Group enters into derivative contracts for the purpose of hedging interest rate, currency and structural foreign exchange risks inherent in assets, liabilities and forecast transactions. The table below summarises the notional principal amounts and carrying values of derivatives designated in hedge accounting relationships at the reporting date.

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

	2021			2020		
	Notional principal amounts $million	Assets $million	Liabilities $million	Notional principal amounts $million	Assets $million	Liabilities $million
Derivatives designated as fair value hedges:						
Interest rate swaps	**78,666**	**957**	**338**	70,846	1,500	712
Currency swaps	**2,262**	**43**	**151**	4,136	25	179
	80,928	**1,000**	**489**	74,982	1,525	891
Derivatives designated as cash flow hedges:						
Interest rate swaps	**10,381**	**60**	**74**	9,347	83	129
Forward foreign exchange contracts	**72**	**2**	**–**	164	21	–
Currency swaps	**12,214**	**293**	**51**	9,935	12	340
	22,667	**355**	**125**	19,446	116	469
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	**13,198**	**88**	**79**	5,376	–	383
Total derivatives held for hedging	**116,793**	**1,443**	**693**	99,804	1,641	1,743

Fair value hedges

The Group issues various long-term fixed-rate debt issuances that are measured at amortised cost, including some denominated in foreign currency, such as unsecured senior and subordinated debt (see Notes 22 and 27). The Group also holds various fixed-rate debt securities such as government and corporate bonds, including some denominated in foreign currency (see Note 13). These assets and liabilities held are exposed to changes in fair value due to movements in market interest and foreign currency rates.

The Group uses interest rate swaps to exchange fixed rates for floating rates on funding to match floating rates received on assets, or exchange fixed rates on assets to match floating rates paid on funding. The Group further uses cross-currency swaps to match the currency of the issued debt or held asset with that of the entity's functional currency.

Hedge ineffectiveness from fair value hedges is driven by cross currency basis risk. The amortisation of fair value hedge adjustments for hedged items no longer designated is recognised in net trading income. In future periods, hedge relationships linked to an interest rate benchmark deemed in scope of benchmark reform may experience ineffectiveness due to market participants' expectations for when the change from the existing IBOR benchmark to an alternative risk-free rate will occur, since the transition may occur at different times for the hedged item and hedging instrument.

At 31 December 2021 the Group held the following interest rate and cross-currency swaps as hedging instruments in fair value hedges of interest and currency risk.

14. Derivative financial instruments continued

Fair value hedges continued

Hedging instruments and ineffectiveness

	2021				
		Carrying amount			
Interest rate[1]	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Ineffectiveness recognised in profit or loss $million
Interest rate swaps – issued notes	35,310	575	212	(891)	(9)
Interest rate swaps – loans and advances	2,079	19	13	13	–
Interest rate swaps – debt securities and other eligible bills	41,277	363	113	717	(1)
Interest and currency risk[1]					
Cross-currency swaps – subordinated notes issued	1,469	–	150	(139)	6
Cross-currency swaps – debt securities and other eligible bills	793	43	1	50	–
Total at 31 December 2021	80,928	1,000	489	(250)	(4)

	2020				
		Carrying amount			
Interest rate[1]	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Ineffectiveness recognised in profit or loss $million
Interest rate swaps – issued notes	29,598	1,475	14	858	17
Interest rate swaps – loans and advances	2,535	2	38	(27)	–
Interest rate swaps – debt securities and other eligible bills	38,713	23	660	(934)	3
Interest and currency risk[1]					
Cross-currency swaps – subordinated notes issued	3,329	17	146	267	5
Cross-currency swaps – debt securities and other eligible bills	807	8	33	(70)	(2)
Total at 31 December 2020	74,982	1,525	891	94	23

1 Interest rate swaps are designated in hedges of the fair value of interest rate risk attributable to the hedged item. Cross-currency swaps are used to hedge both interest rate and currency risks. All the hedging instruments are derivatives, with changes in fair value including hedge ineffectiveness recorded within net trading income

Hedged items in fair value hedges

	2021					
	Carrying amount		Accumulated amount of fair value hedge adjustments included in the carrying amount			
	Asset $million	Liability $million	Asset $million	Liability $million	Change in the value used for calculating hedge ineffectiveness $million	Cumulative balance of fair value adjustments from de-designated hedge relationships[1] $million
Issued notes	–	35,206	–	31	1,029	862
Debt securities and other eligible bills	41,637	–	(363)	–	(769)	(19)
Loans and advances to customers	2,072	–	(7)	–	(14)	(1)
Total at 31 December 2021	43,709	35,206	(370)	31	246	842

	2020					
	Carrying Amount		Accumulated amount of fair value hedge adjustments included in the carrying amount			
	Asset $million	Liability $million	Asset $million	Liability $million	Change in fair value used for calculating hedge ineffectiveness $million	Cumulative balance of fair value adjustments from de-designated hedge relationships[1] $million
Issued notes	–	33,737	–	1,096	(1,103)	856
Debt securities and other eligible bills	40,663	–	577	–	1,005	(92)
Loans and advances to customers	2,561	–	32	–	27	–
Total at 31 December 2020	43,224	33,737	609	1,096	(71)	764

1 This represents a credit/(debit) to the balance sheet value

14. Derivative financial instruments continued

Income statement impact of fair value hedges

	2021 $million Income/ (expense)	2020 $million Income/ (expense)
Change in fair value of hedging instruments	(250)	94
Change in fair value of hedged risks attributable to hedged items	246	(71)
Net ineffectiveness (loss)/gain to net trading income	(4)	23
Amortisation gain/(loss) to net interest income	31	(31)

Cashflow hedges

The Group has exposure to market movements in future interest cashflows on portfolios of customer accounts, debt securities and loans and advances to customers. The amounts and timing of future cashflows, representing both principal and interest flows, are projected on the basis of contractual terms and other relevant factors, including estimates of prepayments and defaults.

The hedging strategy of the Group involves using interest rate swaps to manage the variability in future cashflows on assets and liabilities that have floating rates of interest by exchanging the floating rates for fixed rates. It also uses foreign exchange contracts and currency swaps to manage the variability in future exchange rates on its assets and liabilities and costs in foreign currencies. This is done on both a micro basis, whereby a single interest rate or cross-currency swap is designated in a separate relationship with a single hedged item (such as a floating rate loan to a customer), and on a portfolio basis, whereby each hedging instrument is designated against a group of hedged items that share the same risk (such as a group of customer accounts).

The hedged risk is determined as the variability of future cashflows arising from changes in the designated benchmark interest rate.

Hedging instruments and ineffectiveness

	2021						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Gain recognised in OCI $million	Ineffectiveness gain/(loss) recognised in net trading income $million	Amount reclassified from reserves to income $million
Interest rate risk							
Interest rate swaps	10,381	60	74	77	77	–	–
Currency risk							
Forward foreign exchange contract	72	2	–	2	2	–	–
Cross-currency swaps	12,214	293	51	297	297	–	–
Total as at 31 December 2021	22,667	355	125	376	376	–	–

	2020						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	(Loss)/gain recognised in OCI $million	Ineffectiveness gain/(loss) recognised in net trading income $million	Amount reclassified from reserves to income $million
Interest rate risk							
Interest rate swaps	9,347	83	129	(45)	(45)	–	–
Currency risk							
Forward foreign exchange contract	164	21	–	14	14	–	–
Cross-currency swaps	9,935	12	340	(261)	(261)	–	–
Total as at 31 December 2020	19,446	116	469	(292)	(292)	–	–

14. Derivative financial instruments continued

Hedged items in cashflow hedges

	2021		
	Change in fair value used for calculating hedge ineffectiveness $million	Cashflow hedge reserve $million	Cumulative balance in the cash flow hedge reserve from de-designated hedge relationships $million
Customer accounts	(95)	(10)	(4)
Debt securities and other eligible bills	(231)	–	–
Loans and advances to customers	23	(8)	1
Forecast cashflow currency hedge	–	–	–
Intragroup lending currency hedge	(73)	1	–
Intragroup borrowing currency hedge	–	–	–
Total at 31 December 2021	(376)	(17)	(3)

	2020		
	Change in fair value used for calculating hedge ineffectiveness $million	Cashflow hedge reserve $million	Cumulative balance in the cash flow hedge reserve from de-designated hedge relationships $million
Customer accounts	105	(110)	(8)
Debt securities and other eligible bills	92	16	–
Loans and advances to customers	(45)	34	1
Forecast cashflow currency hedge	(14)	21	–
Intragroup lending currency hedge	169	5	–
Intragroup borrowing currency hedge	(15)	2	–
Total at 31 December 2020	292	(32)	(7)

Impact of cashflow hedges on profit and loss and other comprehensive income

	2021 Income/ (expense) $million	2020 Income/ (expense) $million
Cashflow hedge reserve balance as at 1 January	(52)	(59)
Loss recognised in other comprehensive income on effective portion of changes in fair value of hedging instruments	(1)	(25)
Gain reclassified to income statement when hedged item affected net profit	21	17
Taxation (charge)/credit relating to cashflow hedges	(2)	15
Cashflow hedge reserve balance at 31 December	(34)	(52)

Net investment hedges

Foreign currency exposures arise from investments in subsidiaries that have a different functional currency from that of the presentation currency of the Group. This risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries and the Group's presentation currency, which causes the value of the investment to vary.

The Group's policy is to hedge these exposures only when not doing so would be expected to have a significant impact on the regulatory ratios of the Group and its banking subsidiaries. The Group uses foreign exchange forwards to manage the effect of exchange rates on its net investments in foreign subsidiaries.

14. Derivative financial instruments continued

Hedging instruments and ineffectiveness

	2021						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Changes in the value of the hedging instrument recognised in OCI $million	Ineffectiveness recognised in profit or loss $million	Amount reclassified from reserves to income $million
Derivative forward currency contracts[1]	**13,198**	**88**	**79**	**116**	**116**	**–**	**–**

	2020						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Changes in the value of the hedging instrument recognised in OCI $million	Ineffectiveness recognised in profit or loss $million	Amount reclassified from reserves to income $million
Derivative forward currency contracts[1]	5,376	–	383	(286)	(286)	–	–

1 These derivative forward currency contracts have a maturity of less than one year. The hedges are rolled on a periodic basis

Hedged items in net investment hedges

	2021		
	Change in the value used for calculating hedge ineffectiveness $million	Translation reserve $million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied $million
Net investments	**(116)**	**9**	**–**

	2020		
	Change in the value used for calculating hedge ineffectiveness $million	Translation reserve $million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied $million
Net investments	286	(383)	–

Impact of net investment hedges on other comprehensive income

	2021 Income/ (expense) $million	2020 Income/ (expense) $million
Gains/(losses) recognised in other comprehensive income	**118**	(287)

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14. Derivative financial instruments continued

Maturity of hedging instruments

		2021			
Fair value hedges		Less than one month	More than one month and less than one year	One to five years	More than five years
Interest rate swap					
Notional	$million	3,186	7,175	49,386	18,919
Average fixed interest rate	USD	2.00%	0.72%	1.05%	1.43%
	EUR	–	0.12%	(0.17)%	(0.11)%
Cross-currency swap					
Notional	$million	48	1,492	722	–
Average fixed interest rate (to USD)	EUR	–	1.29%	0.54%	–
	KRO	–	0.09%	–	–
Average exchange rate	EUR/USD	–	0.78	0.80	–
	KRO/USD	–	1,134.50	–	–

Cashflow hedges					
Interest rate swap					
Notional	$million	–	4,443	4,750	1,188
Average fixed interest rate	HKD	–	0.57%	0.41%	–
	USD	–	0.08%	2.13%	1.29%
Cross-currency swap					
Notional	$million	152	10,260	1,802	–
Average fixed interest rate	HKD	–	0.73%	–	–
	KRO	–	1.09%	–	–
	JPY	–	(0.13)%	–	–
	TWD[1]	(0.33)%	(0.33)%	–	–
Average exchange rate	HKD/USD	–	7.78	–	–
	KRO/USD	–	1,158.03	–	–
	JPY/USD	–	109.05	–	–
	TWD[1]/USD	27.98	27.85	–	–
Forward foreign exchange contracts					
Notional	$million	–	–	72	–
Average exchange rate	CLO/USD	–	–	868.10	–

Net investment hedges					
Foreign exchange derivatives					
Notional	$million	5,234	7,964	–	–
Average exchange rate	CNY[1]/USD	6.57	–	–	–
	KRW[1]/USD	1,144.04	1,185.10	–	–
	TWD[1]/USD	27.55	27.34	–	–
	HKD/USD	–	7.05	–	–

1 Offshore currency

14. Derivative financial instruments continued

Maturity of hedging instruments continued

Fair value hedges		Less than one month (2020)	More than one month and less than one year (2020)	One to five years (2020)	More than five years (2020)
Interest rate swap					
Notional	$million	2,334	13,908	40,768	13,836
Average fixed interest rate	USD	1.44%	1.28%	1.47%	1.64%
	EUR	–	1.86%	1.49%	1.72%
Cross-currency swap					
Notional	$million	837	1,384	1,915	–
Average fixed interest rate (to USD)	EUR	0.25%	1.63%	3.43%	–
	JPY	(0.12)%	–	(0.23)%	–
Average exchange rate	EUR/USD	0.82	0.74	0.79	–
	JPY/USD	109.93	–	107.91	–

Cashflow hedges

		Less than one month	More than one month and less than one year	One to five years	More than five years
Interest rate swap					
Notional	$million	–	3,428	4,686	1,233
Average fixed interest rate	HKD	–	1.46%	0.62%	–
	USD	–	0.96%	1.80%	1.32%
Cross-currency swap					
Notional	$million	–	7,822	2,084	29
Average fixed interest rate	HKD	–	1.15%	–	–
	KRO	–	0.79%	–	–
	TWD[1]	–	(0.63)%	–	–
	JPY	–	(0.21)%	(0.16)%	–
Average exchange rate	HKD/USD	–	7.75	–	–
	KRO/USD	–	1,174.75	–	–
	TWD[1]/USD	–	29.88	–	–
	JPY/USD	–	107.54	107.12	–
Forward foreign exchange contracts					
Notional	$million	27	137	–	–
Average exchange rate	GBP/USD	0.84	0.84	–	–

Net investment hedges

		Less than one month	More than one month and less than one year	One to five years	More than five years
Foreign exchange derivatives					
Notional	$million	5,376	–	–	–
Average exchange rate	CNY[1]/USD	7.07	–	–	–
	KRW[1]/USD	1,197.02	–	–	–
	TWD[1]/USD	28.89	–	–	–

1 Offshore currency

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14. Derivative financial instruments continued

Interest rate benchmark reform

The Group applies the Phase 1 Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 which allow the Group to assume that the interest rate benchmark on which cashflows for the hedged item and/or hedging instrument are based is are altered as a result of IBOR reform for the following activities:

- Prospective hedge assessment
- Determining whether a cash flow or forecast transaction for a cashflow hedge is highly probable. However, the Group otherwise assesses whether the cashflows are considered highly probable
- Determining when cumulative balances in the cashflow hedge reserve from de-designated hedges should be recycled to the income statement

The Group will not de-designate a hedge relationship of a benchmark in scope of IBOR reform if the retrospective hedge result is outside the required 80-125% range but, the hedge passes the prospective assessment. Any hedge ineffectiveness continues to be recorded in net trading income.

For hedges of non-contractually specified benchmark portions of an interest rate (such as fair value hedges of interest rate risk on fixed rate debt instruments) the Group only assesses whether the designated benchmark is separately identifiable at hedge inception. The choice of designated benchmark is not revisited for existing hedge relationships.

In applying these amendments, the Group has made the following key assumptions for the period end, to be reviewed on an ongoing basis:

- the interest rate benchmarks applicable to the Group that are in scope of the IFRS amendments are all LIBORs, EONIA, Singapore Swap Offer Rate (SGD SOR) and Thai Baht Interest Rate Fixing (THB FIX)
- EURIBOR is not in scope of the IFRS amendments because its revised methodology incorporates market transaction data, hence the benchmark is expected to continue to exist in future reporting periods

The Group assumes that the uncertainty arising from USD LIBOR will be present until 30 June 2023, at which time the amendments to IFRS no longer apply.

As at 31 December 2021, the following notional principal amounts of derivative instruments designated in fair value or cash flow hedge accounting relationships were linked to IBOR reference rates:

	Fair value hedges $million	Cashflow hedges $million	Total $million	Weighted average exposure Years
Interest rate swaps				
USD LIBOR	46,615	2,636	49,251	3.6
GBP LIBOR	1,444	–	1,444	0.1
JPY LIBOR	637	–	637	0.2
SGD SOR	–	–	–	–
	48,696	2,636	51,332	3.5
Cross-currency swaps				
USD LIBOR vs fixed rate foreign currency	2,262	3,681	5,943	0.9
Total notional of hedging instruments in scope of IFRS amendments as at 31 December 2021	50,958	6,317	57,275	3.2

14. Derivative financial instruments continued

	Fair value hedges $million	Cashflow hedges $million	Total $million	Weighted average exposure Years
Interest rate swaps				
USD LIBOR	45,478	3,078	48,556	3.2
GBP LIBOR	1,988	89	2,077	10.9
JPY LIBOR	2,337	–	2,337	3.0
SGD SOR	483	–	483	1.2
	50,286	3,167	53,453	3.5
Cross-currency swaps				
USD LIBOR vs fixed rate foreign currency	4,136	–	4,136	1.3
Total notional of hedging instruments in scope of IFRS amendments as at 31 December 2020	54,422	3,167	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.

Exposures in GBP LIBOR and JPY LIBOR are short-dated basis swaps created per the LCH's methodology for converting derivatives to alternative benchmark rates. Under this methodology, if an interest rate swap referencing either of these benchmarks would have had a fixing between its conversion date and 31 December 2021, the original swap is replaced with a RFR swap of the same maturity and a LIBOR versus RFR basis swap that matures at the end of the last LIBOR fixing period set before 31 December 2021. This replacement is treated as continuation of the original LIBOR swap as the new bookings do not alter or amend the legal rights and obligations under the original derivative. The Group has applied the Phase 2 amendments to IAS 39 to redefine the description of the hedging instrument and hedged risk to reference the alternative benchmark rate in order to continue these hedge relationships.

15. Loans and advances to banks and customers

Accounting policy

Refer to Note 13 Financial instruments for the relevant accounting policy.

	2021 $million	2020 $million
Loans and advances to banks	**44,410**	44,364
Expected credit loss	**(27)**	(17)
	44,383	44,347
Loans and advances to customers	**304,122**	288,312
Expected credit loss	**(5,654)**	(6,613)
	298,468	281,699
Total loans and advances to banks and customers	**342,851**	326,046

The Group has outstanding residential mortgage loans to Korea residents of $21.7 billion (31 December 2020: $22.1 billion) and Hong Kong residents of $34.5 billion (31 December 2020: $32 billion).

Analysis of loans and advances to customers by geographic region and client segment together with their related impairment provisions are set out within the Risk review and Capital review (pages 210).

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

Accounting policy

The Group purchases securities (a reverse repurchase agreement – 'reverse repo') typically with financial institutions subject to a commitment to resell or return the securities at a predetermined price. These securities are not included in the balance sheet as the Group does not acquire the risks and rewards of ownership, however they are recorded off-balance sheet as collateral received. Consideration paid (or cash collateral provided) is accounted for as a loan asset at amortised cost unless it is managed on a fair value basis or designated at fair value through profit or loss. In majority of cases through the contractual terms of a reverse repo arrangement, the Group as the transferee of the security collateral has the right to sell or repledge the asset concerned.

The Group also sells securities (a repurchase agreement – 'repo') subject to a commitment to repurchase or redeem the securities at a predetermined price. The securities are retained on the balance sheet as the Group retains substantially all the risks and rewards of ownership and these securities are disclosed as pledged collateral. Consideration received (or cash collateral received) is accounted for as a financial liability at amortised cost unless it is either mandatorily classified as fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

Financial assets are pledged as collateral as part of sales and repurchases, securities borrowing and securitisation transactions under terms that are usual and customary for such activities. The Group is obliged to return equivalent securities.

Repo and reverse repo transactions typically entitle the Group and its counterparties to have recourse to assets similar to those provided as collateral in the event of a default. Securities sold subject to repos, either by way of a Global Master Repurchase Agreement (GMRA), or through a securities sale and Total Return Swap (TRS) continue to be recognised on the balance sheet as the Group retains substantially the associated risks and rewards of the securities (the TRS is not recognised). The counterparty liability is included in deposits by banks or customer accounts, as appropriate. Assets sold under repurchase agreements are considered encumbered as the Group cannot pledge these to obtain funding.

Reverse repurchase agreements and other similar secured lending

	2021 $million	2020 $million
Banks	**19,806**	19,452
Customers	**68,613**	48,119
	88,419	67,571
Of which:		
Fair value through profit or loss	**80,009**	63,405
Banks	**18,727**	18,205
Customers	**61,282**	45,200
Held at amortised cost	**8,410**	4,166
Banks	**1,079**	1,247
Customers	**7,331**	2,919

Under reverse repurchase and securities borrowing arrangements, the Group obtains securities on terms which permit it to repledge or resell the securities to others. Amounts on such terms are:

	2021 $million	2020 $million
Securities and collateral received (at fair value)	**118,636**	99,676
Securities and collateral which can be repledged or sold (at fair value)	**117,408**	99,238
Amounts repledged/transferred to others for financing activities, to satisfy liabilities under sale and repurchase agreements (at fair value)	**57,879**	46,209

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

Repurchase agreements and other similar secured borrowing

	2021 $million	2020 $million
Banks	**7,054**	6,647
Customers	**58,594**	43,918
	65,648	50,565
Of which:		
Fair value through profit or loss	**62,388**	48,662
Banks	**5,107**	6,107
Customers	**57,281**	42,555
Held at amortised cost	**3,260**	1,903
Banks	**1,947**	540
Customers	**1,313**	1,363

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

	2021				
Collateral pledged against repurchase agreements	**Fair value through profit or loss $million**	**Fair value through Other Comprehensive Income $million**	**Amortised cost $million**	**Off-balance sheet $million**	**Total $million**
On-balance sheet					
Debt securities and other eligible bills	**3,427**	**2,655**	**2,601**	**–**	**8,683**
Off-balance sheet					
Repledged collateral received	**–**	**–**	**–**	**57,879**	**57,879**
At 31 December 2021	**3,427**	**2,655**	**2,601**	**57,879**	**66,562**

	2020				
Collateral pledged against repurchase agreements	Fair value through profit or loss $million	Fair value through Other Comprehensive Income $million	Amortised cost $million	Off-balance sheet $million	Total
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

17. Goodwill and intangible assets

Accounting policy

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in Investments in associates. Goodwill included in intangible assets is assessed at each balance sheet date for impairment and carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Detailed calculations are performed based on discounting expected cash flows of the relevant cash-generating units (CGUs) and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgement. Goodwill is allocated to CGUs for the purpose of impairment testing. CGUs represent the lowest level within the Group which generate separate cash inflows and at which the goodwill is monitored for internal management purposes. These are equal to or smaller than the Group's reportable segments (as set out in Note 2) as the Group views its reportable segments on a global basis. The major CGUs to which goodwill has been allocated are set out in the CGU table (page 380).

Significant accounting estimates and judgements

The carrying amount of goodwill is based on the application of judgements including the basis of goodwill impairment calculation assumptions. Judgement is also applied in determination of cash-generating units.

Estimates include forecasts used for determining cash flows for CGUs, the appropriate long-term growth rates to use and discount rates which factor in country risk-free rates and applicable risk premiums. The Group undertakes an annual assessment to evaluate whether the carrying value of goodwill is impaired. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement and is subject to potential change over time.

Acquired intangibles

At the date of acquisition of a subsidiary or associate, intangible assets which are deemed separable and that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired. These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity and are amortised on the basis of their expected useful lives (4 to 16 years). At each balance sheet date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Computer software

Acquired computer software licences are capitalised if the principles of development are met on the basis of the costs incurred to acquire and bring to use the specific software.

Internally generated software represents substantially all of the total software capitalised. Direct costs of the development of separately identifiable internally generated software are capitalised where it is probable that future economic benefits attributable to the asset will flow from its use (internally generated software). These costs include salaries and wages, materials, service providers and contractors, and directly attributable overheads. Costs incurred in the ongoing maintenance of software are expensed immediately when incurred. Internally generated software is amortised over each asset's useful life to a maximum of a 10-year time period. On an annual basis software assets' residual values and useful lives are reviewed, including assessing for indicators of impairment. Indicators of impairment include loss of business relevance, obsolescence of asset, exit of the business to which the software relates, technological changes, change in use of the asset, reduction in useful life, plans to reduce usage or scope.

For capitalised software, judgement is required to determine which costs relate to research (and therefore expensed) and which costs relate to development (capitalised). Further judgement is required to determine the technical feasibility of completing the software such that it will be available for use. Estimates are used to determine how the software will generate probable future economic benefits, these estimates include: cost savings, income increases, balance sheet improvements, improved functionality or improved asset safeguarding.

17. Goodwill and intangible assets continued

	2021				2020			
	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million
Cost								
At 1 January	**2,617**	**473**	**3,682**	**6,772**	3,079	461	3,239	6,779
Exchange translation differences	**(22)**	**(14)**	**(73)**	**(109)**	27	16	60	103
Additions	**–**	**–**	**989**	**989**	–	–	790	790
Disposals	**–**	**–**	**–**	**–**	–	–	(4)	(4)
Impairment	**–**	**–**	**–**	**–**	(489)	–	–	(489)
Amounts written off	**–**	**(2)**	**(134)**	**(136)**	–	(4)	(403)	(407)
At 31 December	**2,595**	**457**	**4,464**	**7,516**	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	**–**	**(22)**	**(20)**	**(42)**	–	15	21	36
Amortisation	**–**	**8**	**461**	**469**	–	5	515	520
Impairment charge	**–**	**–**	**4**	**4**	–	–	17	17
Disposals	**–**	**–**	**–**	**–**	–	–	(4)	(4)
Amounts written off	**–**	**–**	**(95)**	**(95)**	–	–	(349)	(349)
At 31 December	**–**	**437**	**1,608**	**2,045**	–	451	1,258	1,709
Net book value	**2,595**	**20**	**2,856**	**5,471**	2,617	22	2,424	5,063

At 31 December 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 $88 million for the year when compared to the previous estimate.

Goodwill

Outcome of impairment assessment

Change in cash-generating units (CGUs) Goodwill is allocated to CGUs, which are considered the level at which goodwill is managed and which generate independent cash inflows. At year-end 2021, the Group had two global CGUs representing Corporate, Commercial & Institutional Banking (CCIB) and Private Banking (PB), along with six individual country CGUs representing Retail Banking (RB) for each country.

Following the changes in the Group's organisational structure as described in Note 2 – Operating Segments which has resulted in two new business segments, CCIB and CPBB, the CGUs have changed. Goodwill relating to CB ($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.

Testing of goodwill for impairment

An annual assessment is made as to whether the current carrying value of goodwill is impaired. For the purposes of impairment testing, goodwill is allocated at the date of acquisition to a CGU. Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. Indicators of impairment include changes in the economic performance and outlook of the region including geopolitical changes, changes in market value of regional investments, large credit defaults and strategic decisions to exit certain regions. The recoverable amounts for all the CGUs were measured based on value in use (ViU). The calculation of ViU for each CGU is calculated using five-year cashflow projections and an estimated terminal value based on a perpetuity value after year five. The cashflow projections are based on forecasts approved by management up to 2026. The perpetuity terminal value amount is calculated using year five cashflows using long-term GDP growth rates. All cashflows are discounted using discount rates which reflect market rates appropriate to the CGU.

The goodwill allocated to each CGU and key assumptions used in determining the recoverable amounts are set out below and are solely estimates for the purposes of assessing impairment of acquired goodwill.

17. Goodwill and intangible assets continued

Goodwill continued

Cash-generating unit[1]	2021 Goodwill $million	2021 Pre-Tax discount rates per cent	2021 Long-term forecast GDP growth rates per cent	2020 Goodwill $million	2020 Pre-Tax discount rates per cent	2020 Long-term forecast GDP growth rates per cent
Country CGUs						
Asia	**1,073**			1,079		
Hong Kong	**357**	**10.6**	**2.5**	359	11.1	2.7
Taiwan	**361**	**10.4**	**2.0**	360	10.6	2.1
Singapore	**341**	**11.6**	**2.4**	346	12.0	3.0
Bangladesh	**14**	**15.0**	**7.3**	14	19.6	7.2
Africa & Middle East	**92**			97		
Pakistan	**43**	**22.2**	**6.0**	48	20.2	5.0
Bahrain	**49**	**13.1**	**3.0**	49	14.2	2.8
Global CGUs	**1,430**			1,441		
Global Private Banking	**84**	**12.4**	**2.5**	84	12.9	3.6
Corporate, Commercial & Institutional Banking	**1,346**	**12.5**	**3.0**	1,357	13.4	3.0
	2,595			2,617		

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

In the current year there are no CGUs that are sensitive to any individual movement on key estimates (cashflow, discount rate and GDP growth rate). This is primarily due to increased anticipated cashflows as economic uncertainty caused by the COVID-19 pandemic has abated and the change in CGUs as described above.

Acquired intangibles

These primarily comprise those items recognised as part of the acquisitions of Union Bank (now amalgamated into Standard Chartered Bank (Pakistan) Limited), Hsinchu (now amalgamated into Standard Chartered Bank (Taiwan) Limited), Pembroke, American Express Bank and ABSA's custody business in Africa. Maintenance intangible assets represent the value in the difference between the contractual right under acquired leases to receive aircraft in a specified maintenance condition at the end of the lease and the actual physical condition of the aircraft at the date of acquisition.

The acquired intangibles are amortised over periods from four years to a maximum of 16 years. The constituents are as follows:

	2021 $million	2020 $million
Acquired intangibles comprise:		
Aircraft maintenance	**5**	6
Brand names	**1**	–
Customer relationships	**3**	7
Licences	**11**	9
Net book value	**20**	22

18. Property, plant and equipment

Accounting policy

All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

At each balance sheet date the asset's residual values and useful lives are reviewed, and adjusted if appropriate, including assessing for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down to the recoverable amount. Gains and losses on disposals are included in the income statement.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land and buildings comprise mainly branches and offices. Freehold land is not depreciated, although it is subject to impairment testing.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

• Buildings	• up to 50 years
• Leasehold improvements life of lease	• up to 50 years
• Equipment and motor vehicles	• three to 15 years
• Aircraft	• up to 18 years
• Ships	• up to 15 years

Where the Group is a lessee of a right-of-use asset, the leased assets are capitalised and included in Property, plant and equipment with a corresponding liability to the lessor recognised in Other liabilities, in accordance with the Group's leased assets accounting policy in Note 19.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Significant accounting estimates and judgements

The carrying amount of the Group's aircraft leasing portfolio is based on the application of judgement and estimates to determine the most appropriate recoverable amount for each aircraft when assessing for impairment. Estimates involve the appropriate cash flows, discount rates and residual values used in determining a value-in-use for aircraft, and judgement is required in determining the appropriate observable third-party valuations to use for assessing current market value.

18. Property, plant and equipment continued

	2021					
	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	(63)	(13)	–	(38)	(1)	(115)
Additions[1]	107	135	110	373	4	729
Disposals and fully depreciated assets written off[2]	(100)	(95)	(1,095)	(58)	(1)	(1,349)
Transfers to assets held for sale	(12)	–	–	–	–	(12)
As at 31 December	1,980	901	4,248	1,854	33	9,016
Depreciation						
Accumulated at 1 January	770	594	1,336	536	12	3,248
Exchange translation differences	(15)	(14)	–	(15)	–	(44)
Charge for the year	74	121	213	296	8	712
Impairment charge	–	–	64	42	–	106
Attributable to assets sold or written off[2]	(31)	(90)	(458)	(40)	–	(619)
Transfers to assets held for sale	(3)	–	–	–	–	(3)
Accumulated at 31 December	795	611	1,155	819	20	3,400
Net book amount at 31 December	1,185	290	3,092	1,036	13	5,616

1 Refer to the cash flow statement under cash flows from investing activities section for the purchase of property, plant and equipment during the year of $351 million on page 312

2 Disposals for property, plant and equipment during the year of $816 million in the cash flow statement would include the gains and losses incurred as part of other operating income (Note 6) on disposal of assets during the year and the net book value disposed

	2020					
	Premises $million	Equipment $million	Operating lease assets $million	Leased premises assets $million	Leased equipment assets[3] $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

1 Refer to the cash flow statement under cash flows from investing activities section for the purchase of property, plant and equipment during the year of $1,270 million on page 312

2 Disposals for property, plant and equipment during the year of $178 million in the cash flow statement would include the gains and losses incurred as part of other operating income (Note 6) on disposal of assets during the year and the net book value disposed

3 Aircraft have been impaired due to a decrease in the market values, particularly wide-body variants

18. Property, plant and equipment continued

Operating lease assets

The operating lease assets subsection of property, plant and equipment is the Group's aircraft operating leasing business, consisting of 97 commercial aircraft at year end, of which 94 are narrow-bodies and three are wide-bodies. 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 to the lessee, and rental income from operating lease assets is disclosed in Note 6. At 31 December 2021, these assets had a net book value of $3,092 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 31 December 2021 is approximately five 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 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, from a base range of 4.5%-5.5%, (31 December 2020: 4.5%-6%), which resulted in a possible increase in impairment of $26 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 $75 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. 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.

	2021 Minimum lease receivables under operating leases falling due: $million	2020 Minimum lease receivables under operating leases falling due: $million
Within one year	**330**	478
One to two years	**285**	436
Two to three years	**251**	374
Three to four years	**197**	328
Four to five years	**153**	251
After five years	**411**	697
	1,627	2,564

19. Leased assets

Accounting policy

The Group assesses whether a contract is a lease in scope of this policy by determining whether the contract gives it the right to use a specified underlying physical asset for a lease term greater than 12 months, unless the underlying asset is of low value.

Where the Group is a lessee and the lease is deemed in scope, it recognises a liability equal to the present value of lease payments over the lease term, discounted using the incremental borrowing rate applicable in the economic environment of the lease. The liability is recognised in 'Other liabilities'. A corresponding right-of-use asset equal to the liability, adjusted for any lease payments made at or before the commencement date, is recognised in 'Property, plant and equipment'. The lease term includes any extension options contained in the contract that the Group is reasonably certain it will exercise.

The Group subsequently depreciates the right-of-use asset using the straight-line method over the lease term and measures the lease liability using the effective interest method. Depreciation on the asset is recognised in 'Depreciation and amortisation', and interest on the lease liability is recognised in 'Interest expense'.

If a leased premise, or a physically distinct portion of a premise such as an individual floor, is deemed by management to be surplus to the Group's needs and action has been taken to abandon the space before the lease expires, this is considered an indicator of impairment. An impairment loss is recognised if the right-of-use asset, or portion thereof, has a carrying value in excess of its value-in-use when taking into account factors such as the ability and likelihood of obtaining a subtenant.

The judgements in determining lease balances are the determination of whether the Group is reasonably certain that it will exercise extension options present in lease contracts. On initial recognition, the Group considers a range of characteristics such as premises function, regional trends and the term remaining on the lease to determine whether it is reasonably certain that a contractual right to extend a lease will be exercised. Where a change in assumption is confirmed by the local property management team, a remeasurement is performed in the Group-managed vendor system.

The estimates were the determination of incremental borrowing rates in the respective economic environments. The Group uses third-party broker quotes to estimate its USD cost of senior unsecured borrowing, then uses cross-currency swap pricing information to determine the equivalent cost of borrowing in other currencies. If it is not possible to estimate an incremental borrowing rate through this process, other proxies such as local government bond yields are used.

The Group primarily enters lease contracts that grant it the right to use premises such as office buildings and retail branches.

Existing lease liabilities may change in future periods due to changes in assumptions or decisions to exercise lease renewal or termination options, changes in payments due to renegotiations of market rental rates as permitted by those contracts and changes to payments due to rent being contractually linked to an inflation index. In general the re-measurement of a lease liability under these circumstances leads to an equal change to the right-of-use asset balance, with no immediate effect on the income statement.

The total cash outflow during the year for premises and equipment leases was $331 million (2020: $352 million).

The total expense during the year in respect of leases with a term less than or equal to 12 months was less than $1 million (2020: $1 million).

The right-of-use asset balances and depreciation charges are disclosed in Note 18. The lease liability balances are disclosed in Note 23 and the interest expense on lease liabilities is disclosed in Note 3.

Maturity analysis

The maturity profile for lease liabilities associated with leased premises and equipment assets is as follows:

	2021				
	One year or less $million	Between one year and two years $million	Between two years and five years $million	More than five years $million	Total $million
Other liabilities – lease liabilities	293	247	521	175	1,236

	2020				
	One year or less $million	Between one year and two years $million	Between two years and five years $million	More than five years $million	Total $million
Other liabilities – lease liabilities	368	280	559	188	1,395

20. Other assets

Accounting policy

Refer to Note 13 Financial instruments for the relevant accounting policy.

Commodities represent physical holdings where the Group has title and exposure to the Market Risk associated with the holding.

Commodities and emissions certificates are fair valued with the fair value derived from observable spot or short-term futures prices from relevant exchanges.

Other assets include:

	2021 $million	2020 $million
Financial assets held at amortised cost (Note 13):		
Hong Kong SAR Government certificates of indebtedness (Note 23)[1]	**7,284**	7,295
Cash collateral	**9,217**	11,757
Acceptances and endorsements	**4,930**	5,868
Unsettled trades and other financial assets	**18,637**	16,058
	40,068	40,978
Non-financial assets:		
Commodities and emissions certificates[2]	**9,265**	7,239
Other assets	**599**	471
	49,932	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 Commodities and emission certificates are carried at fair value less costs to sell, $5.7 billion are classified as Level 1 and $3.6 billion are classified as Level 2

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21. Assets held for sale and associated liabilities

Accounting policy

Financial instruments can be reclassified as held for sale if they are non-current assets or if they are part of a disposal group; however, in these circumstances financial instruments continue to be measured per the requirements of IFRS 9 Financial Instruments. Refer to Note 13 Financial instruments for the relevant accounting policy.

Non-current assets are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when:

a) Their carrying amounts will be recovered principally through sale;

b) They are available for immediate sale in their present condition; and

c) Their sale is highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the assets are measured in accordance with the applicable accounting policies related to the asset or liability before reclassification as held for sale.

The assets below have been presented as held for sale following the approval of Group management, and the transactions are expected to complete in 2022.

Following a decision by the Board of Directors to exit the ship leasing business within CCIB, the shipping portfolio is classified as ‘Held for sale’.

The financial assets reported below are classified under Level 1 $ nil (31 December 2020: $nil), Level 2 $nil (31 December 2020: $25 million) and Level 3 $95 million (31 December 2020: $63 million).

Assets held for sale

	2021 $million	2020 $million
Financial assets held at fair value through profit or loss	43	5
Loans and advances to customers	20	5
Equity shares	23	–
Financial assets held at amortised cost	52	83
Loans and advances to customers	52	83
Property, plant and equipment	239	358
Vessels	230	354
Others	9	4
	334	446

On the 20 May 2020 the Group completed the sale of its 44.56 per cent equity interest in PT Bank Permata Tbk to Bangkok Bank Public Company Limited for cash consideration of IDR 17 trillion ($1,072 million).

22. Debt securities in issue

Accounting policy

Refer to Note 13 Financial instruments for the relevant accounting policy.

	2021			2020		
	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million
Debt securities in issue	**23,896**	**37,397**	**61,293**	21,020	34,530	55,550
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (Note 13)	**–**	**5,597**	**5,597**	–	5,811	5,811
Total debt securities in issue	**23,896**	**42,994**	**66,890**	21,020	40,341	61,361

In 2021, the Company issued a total of $6.8 billion senior notes for general business purposes of the Group as shown below:

Securities	**$million**
$500 million fixed-rate senior notes due 2025 (callable 2024)	**500**
$500 million floating rate senior notes due 2025 (callable 2024)[1]	**500**
EUR 500 million fixed-rate senior notes due 2029 (callable 2028)	**569**
$1,000 million fixed-rate senior notes due 2025 (callable 2024)	**1,000**
$1,250 million fixed-rate senior notes due 2032 (callable 2031)	**1,250**
$1,500 million fixed-rate senior notes due 2025 (callable 2024)	**1,500**
$1,500 million fixed-rate senior notes due 2027 (callable 2026)	**1,500**
Total senior notes issued	**6,819**

In 2020, the Company issued a total of $6.8 billion senior notes for general business purposes of the Group as shown below:

Securities	$million
$2,000 million fixed-rate senior notes due 2026 (callable 2025)	2,000
$2,000 million fixed-rate senior notes due 2031 (callable 2030)	2,000
$1,000 million fixed-rate senior notes due 2023 (callable 2022)	1,000
EUR 750 million fixed-rate senior notes due 2028 (callable 2027)	917
$500 million floating rate senior notes due 2023 (callable 2022)	500
HKD 1,081 million fixed-rate senior notes due 2023 (callable 2022)	139
$100 million zero coupon callable bond due 2050 (callable 2025)	100
$80 million zero coupon callable bond due 2050 (callable 2023)	80
JPY 5,500 million fixed-rate senior notes due 2023 (callable 2022)	53
$50 million zero coupon callable bond due 2050 (callable 2023)	50
Total senior notes issued	6,839

1 These notes will be subject to remediation under interest rate benchmark reform. Please refer to Note 13 for further information on this

23. Other liabilities

Accounting policy

Refer to Note 13 Financial instruments for the relevant accounting policy for financial liabilities, Note 19 Leased assets for the accounting policy for leases, and Note 31 Share-based payments for the accounting policy for cash-settled share-based payments.

	2021 $million	2020 $million
Financial liabilities held at amortised cost (Note 13)		
Notes in circulation[1]	**7,284**	7,295
Acceptances and endorsements	**4,930**	5,868
Cash collateral	**8,092**	10,136
Property leases[2]	**1,170**	1,127
Equipment leases[2]	**17**	20
Unsettled trades and other financial liabilities	**21,940**	22,782
	43,433	47,228
Non-financial liabilities		
Cash-settled share-based payments	**55**	41
Other liabilities	**826**	635
	44,314	47,904

1 Hong Kong currency notes in circulation of $7,284 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 Other financial liabilities include the present value of lease liabilities, as required by IFRS 16 from 1 January 2019; refer to Note 19

24. Provisions for liabilities and charges

Accounting policy

The Group recognises a provision for a present legal or constructive obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably. Where a liability arises based on participation in a market at a specified date, the obligation is recognised in the financial statements on that date and is not accrued over the period.

Significant accounting estimates and judgements

The recognition and measurement of provisions for liabilities and charges requires significant judgement and the use of estimates about uncertain future conditions or events.

Estimates include the best estimate of the probability of outflow of economic resources, cost of settling a provision and timing of settlement. Judgements are required for inherently uncertain areas such as legal decisions (including external advice obtained), and outcome of regulator reviews.

	2021			2020		
	Provision for credit commitments $million	Other provisions $million	Total $million	Provision for credit commitments $million	Other provisions $million	Total $million
At 1 January	**367**	**99**	**466**	317	132	449
Exchange translation differences	**9**	**(1)**	**8**	(50)	(3)	(53)
Transfer	**–**	**2**	**2**	–	9	9
Charge against profit	**(30)**	**54**	**24**	103	22	125
Provisions utilised	**–**	**(47)**	**(47)**	(3)	(61)	(64)
At 31 December	**346**	**107**	**453**	367	99	466

Provision for credit commitment comprises those undrawn contractually committed facilities where there is doubt as to the borrower's ability to meet their repayment obligations.

Other provisions consist mainly of provisions for regulatory settlements and legal claims, the nature of which are described in Note 26.

25. Contingent liabilities and commitments

Accounting policy

Financial guarantee contracts and loan commitments

The Group issues financial guarantee contracts and loan commitments in return for fees. Financial guarantee contracts and any loan commitments issued at below-market interest rates are initially recognised at their fair value as a financial liability, and subsequently measured at the higher of the initial value less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers and their expected credit loss provision. Loan commitments may be designated at fair value through profit or loss where that is the business model under which such contracts are held. Notional values of financial guarantee contracts and loan commitments are disclosed in the table below.

Financial guarantees, trade credits and irrevocable letters of credit are the notional values of contracts issued by the Group's Transaction Banking business for which an obligation to make a payment has not arisen at the reporting date. Transaction Banking will issue contracts to clients and counterparties of clients, whereby in the event the holder of the contract is not paid, the Group will reimburse the holder of the contract for the actual financial loss suffered. These contracts have various legal forms such as letters of credit, guarantee contracts and performance bonds. The contracts are issued to facilitate trade through export and import business, provide guarantees to financial institutions where the Group has a local presence, as well as guaranteeing project financing involving large construction projects undertaken by sovereigns and corporates. The contracts may contain performance clauses which require the counterparty performing services or providing goods to meet certain conditions before a right to payment is achieved, however the Group does not guarantee this performance. The Group will only guarantee the credit of the counterparty paying for the services or goods.

Commitments are where the Group has confirmed its intention to provide funds to a customer or on behalf of a customer under prespecified terms and conditions in the form of loans, overdrafts, future guarantees, whether cancellable or not and the Group has not made payments at the balance sheet date; those instruments are included in these financial statements as 'commitments'. Commitments and contingent liabilities are generally considered on demand as the Group may have to honour them, or the client may draw down at any time.

'Capital commitments' are contractual commitments the Group has entered into to purchase non-financial assets.

The table below shows the contract or underlying principal amounts of unmatured off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

	2021 $million	2020 $million
Financial guarantees and trade credits		
Financial guarantees, trade credits and irrevocable letters of credit	**58,535**	53,832
	58,535	53,832
Commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend		
One year and over	**69,542**	68,848
Less than one year	**27,306**	24,500
Unconditionally cancellable	**61,675**	60,055
	158,523	153,403
Capital commitments		
Contracted capital expenditure approved by the directors but not provided for in these accounts[1]	**124**	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 $26 million (2020: $nil) have been made in respect of these commitments

As set out in Note 26, the Group has contingent liabilities in respect of certain legal and regulatory matters for which it is not practicable to estimate the financial impact as there are many factors that may affect the range of possible outcomes.

26. Legal and regulatory matters

Accounting policy

Where appropriate, the Group recognises a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required, and for which a reliable estimate can be made of the obligation. The uncertainties inherent in legal and regulatory matters affect the amount and timing of any potential outflows with respect to which provisions have been established. These uncertainties also mean that it is not possible to give an aggregate estimate of contingent liabilities arising from such legal and regulatory matters.

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

Since 2014, the Group has been named as a defendant in a series of lawsuits that have been filed in the United States District Courts for the Southern and Eastern Districts of New York against a number of banks (including Standard Chartered Bank or its affiliates) on behalf of plaintiffs who are, or are relatives of, victims of various terrorist attacks in Iraq and Afghanistan. The most recent lawsuit was filed in August 2021 and concerns terrorist attacks that occurred in Afghanistan between 2011 and 2016. The plaintiffs in each of these lawsuits have alleged that the defendant banks aided and abetted the unlawful conduct of U.S. sanctioned parties in breach of the U.S. Anti-Terrorism Act. While the courts have ruled in favour of the banks' motions to dismiss in five of these lawsuits, plaintiffs' have appealed or are expected to appeal against certain of these judgements. The remaining cases are at an early procedural stage and, except for the lawsuit filed in August 2021, have been stayed pending the outcomes of the appeals in the dismissed cases. None of these lawsuits have specified the amount of damages claimed.

In January 2020, a shareholder derivative complaint was filed by the City of Philadelphia in New York State Court against 45 current and former directors and senior officers of the Group. It is alleged that the individuals breached their duties to the Group and caused a waste of corporate assets by permitting the conduct that gave rise to the costs and losses to the Group related to legacy conduct and control issues. In March 2021, an amended complaint was served in which SCB and seven individuals were removed from the case. Standard Chartered PLC and Standard Chartered Holdings Limited remained as named "nominal defendants" in the complaint. In May 2021, Standard Chartered PLC filed a motion to dismiss the complaint. On 2 February 2022, the New York State Court ruled in favour of Standard Chartered PLC's motion to dismiss the complaint. The plaintiffs have a right of appeal.

Since October 2020, two lawsuits have been filed in the English High Court against Standard Chartered PLC on behalf of more than 300 shareholders in relation to alleged untrue and/or misleading statements and/or 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, money laundering and financial crime compliance issues. These lawsuits have been brought under sections 90 and 90A of the Financial Services and Markets Act 2000. Section 90 permits shareholders to pursue a claim if they acquire shares, and suffer loss, as a result of misleading statements in, or omissions of necessary information from, a prospectus or listing particulars. Section 90A permits shareholders to pursue a claim if they acquire, hold or dispose of shares in reliance upon a knowingly or recklessly made untrue or misleading statement in, or dishonest omission of required information from published information, or if there has been a dishonest delay in publishing relevant information. These lawsuits are at an early procedural stage.

As the Group has previously disclosed, Bernard Madoff's 2008 confession to running a Ponzi scheme through Bernard L. Madoff Investment Securities LLC (BMIS) gave rise to a number of lawsuits against the Group. BMIS and the Fairfield funds (which invested in BMIS) are in bankruptcy and liquidation, respectively. Between 2010 and 2012, five lawsuits were brought against the Group by the BMIS bankruptcy trustee and the Fairfield funds' liquidators, in each case seeking to recover funds paid to the Group's clients pursuant to redemption requests made prior to BMIS' bankruptcy filing. The total amount sought in these cases exceeds USD 300 million, excluding any pre-judgment interest that may be awarded. The four lawsuits commenced by the Fairfield funds' liquidators have been dismissed and the appeals of those dismissals by the funds' liquidators are ongoing. The lawsuit brought against the Group by the BMIS bankruptcy trustee had been stayed pending a ruling by the US Second Circuit Court of Appeals in related cases brought by the BMIS bankruptcy trustee against other defendants that had been dismissed. In August 2021, the US Court of Appeals issued its ruling in the related cases with the result that the BMIS bankruptcy trustee's lawsuit against the Group is no longer stayed and is now ongoing. While the Group continues to vigorously defend these lawsuits, there is a range of possible outcomes in this litigation.

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

27. Subordinated liabilities and other borrowed funds

Accounting policy

Subordinated liabilities and other borrowed funds are classified as financial instruments. Refer to Note 13 Financial instruments for the accounting policy.

All subordinated liabilities are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle these debt instruments in certain circumstances, as set out in the contractual agreements. Where a debt instrument is callable, the issuer has the right to call.

	2021 $million	2020 $million
Subordinated loan capital – issued by subsidiary undertakings		
£200 million 7.75 per cent subordinated notes (callable 2022)[1]	**48**	52
$700 million 8.0 per cent subordinated notes due 2031 (callable 2026)[1]	**418**	454
	466	506
Subordinated loan capital – issued by the Company[2]		
Primary capital floating rate notes:		
$400 million floating-rate undated subordinated notes[3]	**16**	16
$300 million floating-rate undated subordinated notes (Series 2)[3]	**69**	69
$400 million floating-rate undated subordinated notes (Series 3)[3]	**50**	50
$200 million floating-rate undated subordinated notes (Series 4)[3]	**26**	26
£150 million floating-rate undated subordinated notes	**–**	16
£900 million 5.125 per cent subordinated notes due 2034	**848**	930
$2 billion 5.7 per cent subordinated notes due 2044	**2,361**	2,370
$2 billion 3.95 per cent subordinated notes due 2023	**2,027**	2,066
$1 billion 5.7 per cent subordinated notes due 2022	**1,000**	1,001
$1 billion 5.2 per cent subordinated notes due 2024	**1,049**	1,141
$750 million 5.3 per cent subordinated notes due 2043	**788**	785
€750 million 3.625 per cent subordinated notes due 2022	**868**	955
€500 million 3.125 per cent subordinated notes due 2024	**585**	646
SGD 700 million 4.4 per cent subordinated notes due 2026 (callable 2021)	**–**	530
$1.25 billion 4.3 per cent subordinated notes due 2027	**1,250**	1,310
$1 billion 3.516 per cent subordinated notes due 2030 (callable 2025)	**1,012**	997
$500 million 4.886 per cent subordinated notes due 2033 (callable 2028)	**543**	499
£ 96.035 million 7.375% non-cumulative irredeemable preference shares (reclassed as Debt)	**129**	134
£ 99.250 million 8.25% non-cumulative irredeemable preference shares (reclassed as Debt)	**134**	138
€ 1 billion 2.5 per cent subordinated debt 2030	**1,123**	1,217
$1.25 billion 3.265 per cent subordinated notes due 2036	**1,188**	1,252
€1 billion 1.200 per cent fixed rate reset dated subordinated notes due 2031 (callable 2026)	**1,114**	–
	16,180	16,148
Total for Group	**16,646**	16,654

1 Issued by Standard Chartered Bank

2 In the balance sheet of the Company the amount recognised is $16,162 million (2020: $16,069 million), with the difference being the effect of hedge accounting achieved on a Group basis

3 These notes will be subject to remediation under interest rate benchmark reform. Please refer to Note 13 for further information on this

27. Subordinated liabilities and other borrowed funds continued

	2021				
	USD $million	GBP $million	EUR $million	Others $million	Total $million
Fixed-rate subordinated debt	**11,636**	**1,160**	**3,689**	**–**	**16,485**
Floating-rate subordinated debt	**161**	**–**	**–**	**–**	**161**
Total	**11,797**	**1,160**	**3,689**	**–**	**16,646**

	2020				
	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).

On 31 March 2021, Standard Chartered Bank exercised its right to redeem the remaining USD 16 million £ 150 million undated primary capital floating rate notes.

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).

28. Share capital, other equity instruments and reserves

Accounting policy

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue available number of own equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Securities which carry a discretionary coupon and have no fixed maturity or redemption date are classified as other equity instruments. Interest payments on these securities are recognised, net of tax, as distributions from equity in the period in which they are paid.

Where the Company or other members of the consolidated Group purchase the Company's equity share capital, the consideration paid is deducted from the total shareholders' equity of the Group and/or of the Company as Treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity of the Group and/or the Company.

	Number of ordinary shares millions	Ordinary share capital[1] millions	Ordinary share premium millions	Preference share premium[2] millions	Total share capital and share premium millions	Other equity instruments millions
At 1 January 2020	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 31 December 2020	**3,156**	**1,578**	**3,986**	**1,494**	**7,058**	**4,518**
Cancellation of shares including share buy-back	**(77)**	**(39)**	**–**	**–**	**(39)**	**–**
Additional Tier 1 equity issuance	**–**	**–**	**–**	**–**	**–**	**2,728**
Additional Tier 1 redemption	**–**	**–**	**–**	**–**	**–**	**(992)**
Other movements	**–**	**–**	**3**	**–**	**3**	**–**
At 31 December 2021	**3,079**	**1,539**	**3,989**	**1,494**	**7,022**	**6,254**

1 Issued and fully paid ordinary shares of 50 cents each

2 Includes preference share capital of $75,000

28. 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 $2 million of fees and stamp duty). 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.

On 3 August 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 $20 million, and the total consideration paid was $251 million (including $1 million of fees and stamp duty). The total number of shares purchased was 39,914,763 representing 1.28 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	Highest price paid £	Lowest price paid £	Average price paid per share £	Aggregate price paid £	Aggregate price paid $
March 2021	**37,148,399**	**5.09200**	**4.68000**	**4.92011**	**182,774,269**	**253,593,477**
August 2021	**23,892,155**	**4.68200**	**4.40200**	**4.55018**	**108,732,693**	**149,886,418**
September 2021	**16,022,608**	**4.64600**	**4.36700**	**4.51573**	**72,387,340**	**100,113,434**

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 31 December 2021, the Company had 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

The table provides details of outstanding fixed rate resetting perpetual subordinated contingent convertible AT1 securities issued by Standard Chartered PLC. All issuances are made for general business purposes and to increase the regulatory capital base of the Group.

Issuance date	Nominal value	Proceeds net of issue costs	Interest rate[2]	Coupon payment dates[3]	First reset dates[4]	Conversion price per ordinary share
18 August 2016	USD 999 million[1]	USD 990 million	7.50%	2 April, 2 October each year	2 April 2022	USD 7.732
18 January 2017	USD 1,000 million	USD 992 million	7.75%	2 April, 2 October each year	2 April 2023	USD 7.732
3 July 2019	SGD 750 million	USD 552 million	5.375%	3 April, 3 October each year	3 October 2024	SGD 10.909
26 June 2020	USD 1,000 million	USD 992 million	6%	26 January, 26 July each year	26 January 2026	USD 5.331
14 January 2021	USD 1,250 million	USD 1,239 million	4.75%	14 January, 14 July each year	14 July 2031	USD 6.353
19 August 2021	USD 1,500 million	USD 1,489 million	4.30%	19 February, 19 August each year	19 August 2028	USD 6.382

1 During the period, the Group repurchased around USD 1,001 million of these securities via a tender offer

2 Interest rates for the period from (and including) the issue date to (but excluding) the first reset date

3 Interest payable semi-annually in arrears

4 Securities are resettable each date falling five years, or an integral multiple of five years, after the first reset date

The AT1 issuances above are primarily purchased by institutional investors.

28. Share capital, other equity instruments and reserves continued

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
- Interest payments on these securities will be accounted for as a dividend.
- Interest on the securities is due and payable only at the sole and absolute discretion of 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 predetermined price detailed in the table above, should the fully loaded Common Equity Tier 1 ratio of the Group fall below 7.0 per cent. Approximately 947 million ordinary shares would be required to satisfy the conversion of all the securities mentioned above

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 (OCA) reserve represents the cumulative gains and losses on financial liabilities designated at fair value through profit or loss relating to own credit. Gains and losses on financial liabilities designated at fair value through profit or loss relating to own credit in the year have been taken through other comprehensive income into this reserve. On derecognition of applicable instruments, the balance of any OCA will not be recycled to the income statement, but will be transferred within equity to retained earnings
- Fair value through other comprehensive income (FVOCI) debt reserve represents the unrealised fair value gains and losses in respect of financial assets classified as FVOCI, net of expected credit losses and taxation. Gains and losses are deferred in this reserve and are reclassified to the income statement when the underlying asset is sold, matures or becomes impaired.
- FVOCI equity reserve represents unrealised fair value gains and losses in respect of financial assets classified as FVOCI, net of taxation. Gains and losses are recorded in this reserve and never recycled to the income statement
- Cash flow hedge reserve represents the effective portion of the gains and losses on derivatives that meet the criteria for these types of hedges. Gains and losses are deferred in this reserve and are reclassified to the income statement when the underlying hedged item affects profit and loss or when a forecast transaction is no longer expected to occur
- Translation reserve represents the cumulative foreign exchange gains and losses on translation of the net investment of the Group in foreign operations. Since 1 January 2004, gains and losses are deferred to this reserve and are reclassified to the income statement when the underlying foreign operation is disposed. Gains and losses arising from derivatives used as hedges of net investments are netted against the foreign exchange gains and losses on translation of the net investment of the foreign operations
- Retained earnings represents, profits and other comprehensive income earned by the Group and Company in the current and prior periods, together with the after-tax increase relating to equity-settled share options, less dividend distributions, 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 31 December 2021, the distributable reserves of Standard Chartered PLC (the Company) were $15.0 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.

28. Share capital, other equity instruments and reserves continued

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[1]		Total	
	2021	2020	**2021**	2020	**2021**	2020
Shares purchased during the period	**–**	2,999,210	**36,487,747**	14,359,481	**36,487,747**	17,358,691
Market price of shares purchased ($million)	**–**	22	**237**	86	**237**	108
Shares transferred between trusts	**–**	(2,999,210)	**–**	2,999,210	**–**	–
Shares held at the end of the period	**–**	–	**22,461,243**	6,119,666	**22,461,243**	6,119,666
Maximum number of shares held during the period					**23,076,993**	11,262,818

1 Note that 35,768 shares were purchased by the trustee of the 2004 Trust using $0.2 million participant savings as part of Sharesave exercises

Dividend waivers

The trustees of the 2004 Trust, which holds ordinary shares in Standard Chartered PLC in connection with the operation of its employee share plans, have lodged standing instructions in relation to shares held by them that have not been allocated to employees, whereby any dividend is waived on the balance of ordinary shares and recalculated and paid at the rate of 0.01p per share.

Changes in share capital and other equity instruments of Standard Chartered PLC subsidiaries

The table below details the transactions in equity instruments (including convertible and hybrid instruments) of the Group's subsidiaries, including issuances, conversions, redemptions, purchase or cancellation. This is required under the Hong Kong Listing requirements, appendix 16, paragraph 10.

Name and registered address	Country of incorporation	Description of shares	Issued/(redeemed) capital	Issued/(redeemed) Shares	Proportion of shares held (%)
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom					
SCMB Overseas Limited	United Kingdom	£0.10 Ordinary shares	£1,500,000	15,000,000	100
Standard Chartered Bank	United Kingdom	$1.00 Ordinary shares	$1,273,000,000	1,273,000,000	100
Standard Chartered Holdings Limited	United Kingdom	$2.00 Ordinary shares	$1,273,000,000	636,500,000	100
Standard Chartered Overseas Holdings Limited	United Kingdom	£1.00 Ordinary shares	£(4,369,087)	(4,369,087)	100
Standard Chartered UK Holdings Limited	United Kingdom	£10.00 Ordinary shares	£167,240,340	16,724,034	100
The following companies have the address of Thomas House, 84 Eccleston Square, London, SW1V 1PX, United Kingdom					
Zodia Custody Limited	United Kingdom	$1.00 Ordinary share	$14,886,435	14,886,435	100
Zodia Holdings Limited	United Kingdom	$1.00 Ordinary-A shares	$33,906,999	33,906,999	100
The following companies have the address of Spaces, 25 Wilton Road, Victoria, London, SW1V 1LW, United Kingdom					
Zodia Markets Holdings Limited	United Kingdom	$1.00 Ordinary shares	$10,000	10,000	75.01

28. Share capital, other equity instruments and reserves continued

Name and registered address	Country of incorporation	Description of shares	Issued/(redeemed) capital	Issued/(redeemed) Shares	Proportion of shares held (%)
The following companies have the address of 15/F, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong					
Marina Angelite Shipping Limited	Hong Kong	$ Ordinary shares	$2,558,984	2,558,984	100
Marina Beryl Shipping Limited	Hong Kong	$ Ordinary shares	$2,579,431	2,579,431	100
Marina Emerald Shipping Limited	Hong Kong	$ Ordinary shares	$2,006,284	2,006,284	100
Marina Iridot Shipping Limited	Hong Kong	$ Ordinary shares	$2,880,258	2,880,258	100
Marina Mimosa Limited	Hong Kong	$ Ordinary shares	$16,356,848	16,356,848	100
Marina Sapphire Shipping Limited	Hong Kong	$ Ordinary shares	$2,361,118	2,361,118	100
Marina Tourmaline Shipping Limited	Hong Kong	$ Ordinary shares	$2,566,770	2,566,770	100
The following company has the address of 32/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong					
Mox Bank Limited	Hong Kong	HKD Ordinary shares	HKD46,920,000	46,920,000	65.1
The following company has the address of Second Floor, Indiqube Edge, Khata No. 571/630/6/4, Sy.No.6/4, Ambalipura Village, Varthur Hobli, Marathahalli Sub-Division, Ward No. 150, Bengaluru, 560102, India.					
Standard Chartered Research and Technology India Private Limited	India	INR10.00 A Equity shares	INR232,039,640	23,203,964	100
The following company has the address of StandardChartered@Chiromo, Number 48, Westlands Road, P. O. Box 30003 – 00100, Nairobi, Kenya					
Standard Chartered Bancassurance Intermediary Limited	Kenya	KES100.00 Ordinary shares	KES4,000,000	40,000	100
The following company has the address of C/o IQ EQ Corporate Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, 11324, Mauritius					
FAI Limited	Mauritius	$1.00 Ordinary shares	$35,000	35,000	76.6
The following company has the address of Standard Chartered Bank Nepal Limited, Madan Bhandari Marg, Ward No.34, Kathmandu Metropolitan City, Kathmandu District, Bagmati Zone, Kathmandu, Nepal					
Standard Chartered Bank Nepal Limited	Nepal	NPR100.00 Ordinary shares	NPR1,418,023,000	14,180,230	70.21
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom					
Standard Chartered Holdings (Africa) B.V.	Netherlands	€4.50 Ordinary shares	€1,800,000	400,000	100
Standard Chartered Holdings (International) B.V.	Netherlands	€4.50 Ordinary shares	€1,800,000	400,000	100
The following company has the address of 9 & 11, Lightfoot Boston Street, Freetown, Sierra Leone					
Standard Chartered Bank Sierra Leone Limited	Sierra Leone	SLL1.00 Ordinary shares	SLL21,697,073,680	21,697,073,680	80.7
The following companies have the address of 8 Marina Boulevard, #27-01 Marina Bay Financial Centre Tower 1, 018981, Singapore					
Standard Chartered Bank (Singapore) Limited	Singapore	$ Ordinary-A shares	$868,671,601	868,671,601	100
	Singapore	$ Ordinary-B shares	$559,193,805	559,193,805	100
	Singapore	$ Ordinary-C shares	$254,040,296	254,040,296	100
Standard Chartered Holdings (Singapore) Private Limited	Singapore	$ Ordinary shares	$868,671,601	868,671,601	100

28. Share capital, other equity instruments and reserves continued

Name and registered address	Country of incorporation	Description of shares	Issued/(redeemed) capital	Issued/(redeemed) Shares	Proportion of shares held (%)
The following companies have the address of 80 Robinson Road, #02-00, 068898, Singapore					
Autumn Life Pte. Ltd.[1]	Singapore	$ Ordinary-A shares	$9,450,184	9,450,184	100
Cardspal Pte. Ltd.[2]	Singapore	$ Ordinary-A shares	$7,009,000	7,009,000	100
Discovery Technology Services Pte. Ltd.	Singapore	$ Ordinary shares	$9,416,001	9,416,001	100
Pegasus Dealmaking Pte. Ltd.	Singapore	$ Ordinary shares	$1	1	100
Power2SME Pte. Ltd.	Singapore	$ Ordinary shares	$59,906,501	59,906,501	100
SCV Master Holding Company Pte. Ltd.	Singapore	$ Ordinary shares	$60,906,501	60,906,501	100
SCV Research and Development Pte. Ltd.	Singapore	$ Ordinary shares	$1	1	100
Solv-India Pte. Ltd.	Singapore	$ Ordinary shares	$44,806,501	44,806,501	100
The following companies have the address of 140 Robinson Road, #17-01, Crown At Robinson, Singapore, 068907, Singapore					
Trust Bank Singapore Limited	Singapore	SGD Ordinary shares	SGD190,000,000	190,000,000	60
The following company has the address of Room 1810-1815, Level 18, Building 72, Keangnam Hanoi Landmark Tower, Pham Hung Road, Cau Giay New Urban Area, Me Tri Ward, Nam Tu Liem District, Hanoi10000, Vietnam					
Standard Chartered Bank (Vietnam) Limited	Vietnam	VND Charter Capital shares	VND 2,739,600,000,000	2,739,600,000,000	100

1 Redenomination of 4,500,000 shares from US$ Ordinary shares to US$ Ordinary-A shares

2 Redenomination of 1,620,000 shares from US$ Ordinary shares to US$ Ordinary-A shares

Please see Note 22 Debt securities in issue for issuances and redemptions of senior notes.

Please see Note 27 Subordinated liabilities and other borrowed funds for issuance and redemptions of subordinated liabilities and AT1 securities.

Please see Note 40 Related undertakings of the Group for subsidiaries liquidated, dissolved or sold during the year.

29. Non-controlling interests

Accounting policy

Non-controlling interests are measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

	$million
At 1 January 2020	313
Income in equity attributable to non-controlling interests	(12)
Other profits attributable to non-controlling interests	27
Comprehensive income for the year	15
Distributions	(20)
Other increases[1]	17
At 31 December 2020	**325**
Income in equity attributable to non-controlling interests	**(15)**
Other profits attributable to non-controlling interests	**(2)**
Comprehensive income for the year	**(17)**
Distributions	**(31)**
Other increases[2]	**94**
At 31 December 2021	**371**

1 Movement related to non-controlling interests from Mox Bank Limited ($17 million)

2 Movements related to non-controlling interests from Mox Bank Limited ($21 million), Trust Bank Singapore Limited ($70 million), Zodia Markets Holdings Limited ($3 million)

Financial statements

30. Retirement benefit obligations

Accounting policy

The Group operates pension and other post-retirement benefit plans around the world, which can be categorised into defined contribution plans and defined benefit plans. For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a statutory or contractual basis, and such amounts are charged to operating expenses. The Group has no further payment obligations once the contributions have been paid.

For funded defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. For unfunded defined benefit plans the liability recognised at the balance sheet date is the present value of the defined benefit obligation.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit method.

Actuarial gains and losses that arise are recognised in shareholders' equity and presented in the statement of other comprehensive income in the period they arise. The Group determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense, the cost of the accrual of new benefits, benefit enhancements (or reductions) and administration expenses met directly from plan assets are recognised in the income statement in the period in which they were incurred.

Significant accounting estimates and judgements

There are many factors that affect the measurement of the retirement benefit obligations. This measurement requires the use of estimates, such as discount rates, inflation, pension increases, salary increases, and life expectancies which are inherently uncertain. Discount rates are determined by reference to market yields at the end of the reporting period on high-quality corporate bonds (or, in countries where there is no deep market in such bonds, government bonds) of a currency and term consistent with the currency and term of the post-employment benefit obligations. This is the approach adopted across our geographies. Where there are inflation-linked bonds available (e.g. United Kingdom and the eurozone), the Group derives inflation based on the market on those bonds, with the market yield adjusted in respect of the United Kingdom to take account of the fact that liabilities are linked to Consumer Price Index inflation, whereas the reference bonds are linked to Retail Price Index inflation. Where no inflation-linked bonds exist, we determine inflation assumptions based on a combination of long-term forecasts and short-term inflation data. Salary growth assumptions reflect the Group's long-term expectations, taking into account future business plans and macroeconomic data (primarily expected future long-term inflation). Demographic assumptions, including mortality and turnover rates, are typically set based on the assumptions used in the most recent actuarial funding valuation, and will generally use industry standard tables, adjusted where appropriate to reflect recent historic experience and/or future expectations. The sensitivity of the liabilities to changes in these assumptions is shown in the Note below.

Retirement benefit obligations comprise:

	2021 $million	2020 $million
Defined benefit plans obligation	192	434
Defined contribution plans obligation	18	9
Net obligation	**210**	443

Retirement benefit charge comprises:

	2021 $million	2020 $million
Defined benefit plans	62	81
Defined contribution plans[1]	315	277
Charge against profit (Note 7)	**377**	358

1 The Group has during the year utilised against defined contribution payments, $5m forfeited pension contributions in respect of employees who left before their interests vested fully. The residual balance of forfeited contributions is $17m

The Group operates over 60 defined benefit plans across its geographies, many of which are closed to new entrants who now join defined contribution arrangements. The aim of all these plans is, as part of the Group's commitment to financial wellbeing for employees, to give employees the opportunity to save appropriately for retirement in a way that is consistent with local regulations, taxation requirements and market conditions. The defined benefit plans expose the Group to currency risk, interest rate risk, investment risk and actuarial risks such as longevity risk.

The material holdings of government and corporate bonds shown on page 400 partially hedge movements in the liabilities resulting from interest rate and inflation changes. Setting aside movements from other drivers such as currency fluctuation, the increases in discount rates in most geographies over 2021 have led to lower liabilities. These have been partly offset by decreases in the value of bonds held but good stock market performance has led to assets broadly holding level over the year resulting in a material fall in the pension deficit reported. These movements are shown as actuarial gains in the tables below. Contributions into a number of plans in excess of the amounts required to fund benefits accruing have also helped to reduce the net deficit over the year.

The disclosures required under IAS 19 have been calculated by independent qualified actuaries based on the most recent full actuarial valuations updated, where necessary, to 31 December 2021.

30. Retirement benefit obligations continued

UK Fund

The Standard Chartered Pension Fund (the 'UK Fund') is the Group's largest pension plan, representing 58 per cent (31 December 2020: 63 per cent) of total pension liabilities. The UK Fund is set up under a trust that is legally separate from the Bank (its formal sponsor) and, as required by UK legislation, at least one third of the trustee directors are nominated by members; the remainder are appointed by the Bank. The trustee directors have a fiduciary duty to members and are responsible for governing the UK Fund in accordance with its Trust Deed and Rules.

The UK Fund was closed to new entrants from 1 July 1998 and closed to the accrual of new benefits from 1 April 2018: all UK employees are now offered membership of a defined contribution plan.

The financial position of the UK Fund is regularly assessed by an independent qualified actuary. The funding valuation as at 31 December 2020 was completed in December 2021 by the Scheme Actuary, T Kripps of Willis Towers Watson, using assumptions different from those on page 399, and agreed with the UK Fund trustee. It showed that the UK Fund was 92% funded at that date, revealing a past service deficit of $172 million (£127 million).

To repair the deficit, three annual cash payments each of $45 million (£32.9 million) were agreed, with the first of these paid in December 2021, and two further instalments to be paid in December 2022 and December 2023. The agreement allows that, if the funding position improves to being at or near a surplus in future years, the payments due in 2022 and 2023 will be reduced or eliminated. In addition, an additional payment of $68 million (£50 million) has been made to top up the existing escrow account of $149 million (£110 million) which exists to provide security for future contributions.

The Group has not recognised any additional liability under IFRIC 14, as the Bank has control of any pension surplus under the Trust Deed and Rules.

Overseas plans

The principal overseas defined benefit arrangements operated by the Group are in Germany, Hong Kong, India, Jersey, Korea, Taiwan, United Arab Emirates (UAE) and the United States of America (US). Plans in Germany, Hong Kong, India, Korea, Taiwan and UAE remain open for accrual of future benefits.

Key assumptions

The principal financial assumptions used at 31 December 2021 were:

	Funded plans			
	UK Fund		Overseas Plans[1]	
	2021 %	2020 %	2021 %	2020 %
Discount rate	**2.0**	1.4	**0.4 – 3.1**	0.3 – 2.8
Price Inflation	**2.6**	2.2	**1.0 – 3.1**	1.0 – 3.0
Salary increases	**n/a**	n/a	**3.5 – 4.5**	2.9 – 4.0
Pension increases	**2.5**	2.1	**1.9 – 3.1**	1.3 – 2.7

1 The range of assumptions shown is for the funded defined benefit overseas plans in Germany, Hong Kong, Jersey, Korea, Taiwan, and the US. These comprise around 80 per cent of the total liabilities of overseas funded plans.

	Unfunded plans			
	US post-retirement medical		Other[1]	
	2021 %	2020 %	2021 %	2020 %
Discount rate	**3.1**	2.8	**2.2 – 6.7**	1.4 – 6.3
Price inflation	**2.5**	2.5	**2.0 – 4.0**	2.0 – 4.0
Salary increases	**N/A**	N/A	**3.7 – 7.0**	3.5 – 7.0
Pension increases	**N/A**	N/A	**0.0 – 2.6**	0.0 – 2.1
Post-retirement medical rate	**7% in 2021 reducing by 0.5% per annum to 5% in 2025**	7% in 2020 reducing by 0.5% per annum to 5% in 2024	**N/A**	N/A

1 The range of assumptions shown is for the main unfunded defined benefit plans in Bahrain, India, Korea, Thailand, UAE and the UK. They comprise around 90 per cent of the total liabilities of other unfunded plans

The principal non-financial assumptions are those made for UK life expectancy. The UK mortality tables are S3PMA for males and S3PFA for females, projected by year of birth with the CMI 2019 improvement model with a 1.25% annual trend and initial addition parameter of 0.25%. Scaling factors of 92% for male pensioners, 92% for female pensioners, 92% for male dependants and 82% for female dependants have been applied.

The resulting assumptions for life expectancy for the UK Fund are that a male member currently aged 60 will live for 27 years (31 December 2020: 27 years) and a female member for 30 years (31 December 2020: 30 years) and a male member currently aged 40 will live for 29 years (31 December 2020: 29 years) and a female member for 31 years (31 December 2020: 31 years) after their 60th birthdays.

30. Retirement benefit obligations continued

Both financial and non-financial assumptions can be expected to change in the future, which would affect the value placed on the liabilities. For example, changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

- If the discount rate increased by 25 basis points the liability would reduce by approximately $65 million for the UK Fund (31 December 2020: $75 million) and $35 million for the other plans (31 December 2020: $40 million)
- If the rate of inflation increased by 25 basis points the liability, allowing for the consequent impact on pension and salary increases would increase by approximately $45 million for the UK Fund (31 December 2020: $50 million) and $20 million for the other plans (31 December 2020: $25 million)
- If the rate salaries increase compared to inflation increased by 25 basis points the liability would increase by nil for the UK Fund (31 December 2020: nil) and approximately $15 million for the other plans (31 December 2020: $15 million)
- If longevity expectations increased by one year the liability would increase by approximately $80 million for the UK Fund (31 December 2020: $70 million) and $15 million for the other plans (31 December 2020: $20 million)

Although this analysis does not take account of the full distribution of cash flows expected, it does provide an approximation of the sensitivity to the main assumptions. While changes in other assumptions would also have an impact, the effect would not be as significant.

Profile of plan obligations

	Funded plans		Unfunded plans	
	UK Fund	Overseas	Post-retirement medical	Other
Duration of the defined benefit obligation (in years)	15	11	9	11
(Duration of the defined benefit obligation – 2020)	15	11	10	11
Benefits expected to be paid from plans				
Benefits expected to be paid during 2022	86	59	1	16
Benefits expected to be paid during 2023	88	82	1	14
Benefits expected to be paid during 2024	90	72	1	14
Benefits expected to be paid during 2025	93	70	1	14
Benefits expected to be paid during 2026	95	73	1	15
Benefits expected to be paid during 2027 to 2030	514	489	5	72

Fund values:

The fair value of assets and present value of liabilities of the defined benefit plans were:

	2021				2020			
	Funded plans		Unfunded plans		Funded plans		Unfunded plans	
At 31 December	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million
Equities	145	306	N/A	N/A	118	374	N/A	N/A
Government bonds	695	224	N/A	N/A	844	189	N/A	N/A
Corporate bonds	610	164	N/A	N/A	508	129	N/A	N/A
Absolute Return Fund	91	–	N/A	N/A	94	–	N/A	N/A
Hedge funds[1]	19	–	N/A	N/A	89	–	N/A	N/A
Insurance linked funds[1]	11	–	N/A	N/A	36	–	N/A	N/A
Property	127	11	N/A	N/A	74	9	N/A	N/A
Derivatives	10	–	N/A	N/A	20	4	N/A	N/A
Cash and equivalents	108	260	N/A	N/A	141	297	N/A	N/A
Others[1]	94	67	N/A	N/A	10	21	N/A	N/A
Total fair value of assets[2]	1,910	1,032	N/A	N/A	1,934	1,023	N/A	N/A
Present value of liabilities	(1,822)	(1,076)	(13)	(223)	(1,982)	(1,147)	(16)	(246)
Net pension plan surplus/obligation	88	(44)	(13)	(223)	(48)	(124)	(16)	(246)

1 Unquoted asset

2 Self-investment is monitored closely and is less than $1 million of Standard Chartered equities and bonds for 2021 (31 December 2020: <$1 million). Self-investment is only allowed where it is not practical to exclude it – for example through investment in index-tracking funds where the Group is a constituent of the relevant index

30. Retirement benefit obligations continued

The pension cost for defined benefit plans was:

2021	**Funded plans** UK Fund $million	**Funded plans** Overseas plans $million	**Unfunded plans** Post- retirement medical $million	**Unfunded plans** Other $million	Total $million
Current service cost[1]	–	55	–	9	64
Past service cost and curtailments[2]	–	(1)	–	(4)	(5)
Settlement cost[2]	–	(3)	–	(1)	(4)
Interest income on pension plan assets	(26)	(27)	–	–	(53)
Interest on pension plan liabilities	27	29	–	4	60
Total charge to profit before deduction of tax	1	53	–	8	62
Net (gains)/losses on plan assets[3]	(6)	(65)	–	–	(71)
(Gains)/losses on liabilities	(87)	(10)	(2)	(9)	(108)
Total (gains)/losses recognised directly in statement of comprehensive income before tax	(93)	(75)	(2)	(9)	(179)
Deferred taxation	–	17	–	–	17
Total (gains)/losses after tax	(93)	(58)	(2)	(9)	(162)

1 Includes administrative expenses paid out of plan assets of $ 1 million (31 December 2020: $2 million)

2 Includes various small costs and gains from plan amendments and settlements in India, Kenya, South Korea and Sri Lanka

3 The actual return on the UK Fund assets was a gain of $32 million and on overseas plan assets was a gain of $92 million

2020	Funded plans UK Fund $million	Funded plans Overseas plans $million	Unfunded plans Post- retirement medical $million	Unfunded plans Other $million	Total $million
Current service cost[1]	–	50	–	7	57
Past service cost and curtailments[2]	–	–	–	14	14
Settlement cost[2]	–	–	–	–	–
Interest income on pension plan assets	(32)	(28)	–	–	(60)
Interest on pension plan liabilities	35	29	1	5	70
Total charge to profit before deduction of tax	3	51	1	26	81
Net (gains)/losses on plan assets[3]	(160)	(81)	–	–	(241)
Losses/(Gains) on liabilities	131	88	(1)	22	240
Total (gains)/losses recognised directly in statement of comprehensive income before tax	(29)	7	(1)	22	(1)
Deferred taxation	–	(9)	–	–	(9)
Total (gains)/losses after tax	(29)	(2)	(1)	22	(10)

1 Includes administrative expenses paid out of plan assets of $2 million (31 December 2019: $2 million)

2 Past service costs arose primarily due to recognition of a legacy UK long-term sick plan which has been clarified as technically representing a defined benefit

3 The actual return on the UK Fund assets was a gain of $192 million and on overseas plan assets was a gain of $109 million

Movement in the defined benefit pension plans and post-retirement medical deficit during the year comprise:

	Funded plans UK Fund $million	**Funded plans** Overseas plans $million	**Unfunded plans** Post- retirement medical $million	**Unfunded plans** Other $million	Total $million
(Deficit)/surplus at January 2021	(48)	(124)	(16)	(246)	(434)
Contributions	45	58	1	18	122
Current service cost[1]	–	(55)	–	(9)	(64)
Past service cost and curtailments	–	1	–	4	5
Settlement costs and transfers impact	–	3	–	1	4
Net interest on the net defined benefit asset/liability	(1)	(2)	–	(4)	(7)
Actuarial gains/(losses)	93	75	2	9	179
Exchange rate adjustment	(1)	–	–	4	3
Surplus/(deficit) at 31 December 2021[2]	88	(44)	(13)	(223)	(192)

1 Includes administrative expenses paid out of plan assets of $1 million (31 December 2020: $2 million)

2 The deficit total of $192 million is made up of plans in deficit of $355 million (31 December 2020: $476 million) net of plans in surplus with assets totalling $163 million (31 December 2020: $42 million)

30. Retirement benefit obligations continued

Movement in the defined benefit pension plans and post-retirement medical deficit during the year comprise:

	Funded plans		Unfunded plans		
	UK Fund $million	Overseas plans $million	Post- retirement medical $million	Other $million	Total $million
(Deficit)/surplus at January 2020	(117)	(115)	(16)	(210)	(458)
Contributions	44	63	–	16	123
Current service cost[1]	–	(50)	–	(7)	(57)
Past service cost and curtailments	–	–	–	(14)	(14)
Settlement costs and transfers impact[2]	–	(5)	–	–	(5)
Net interest on the net defined benefit asset/liability	(3)	(1)	(1)	(5)	(10)
Actuarial gains/(losses)	29	(7)	1	(22)	1
Exchange rate adjustment	(1)	(9)	–	(4)	(14)
(Deficit)/surplus at 31 December 2020[3]	(48)	(124)	(16)	(246)	(434)

1 Includes administrative expenses paid out of plan assets of $2 million (31 December 2019: $1 million)

2 Impact of transfers relates to a gratuity plan in India which was included within IAS 19 disclosures for the first time this year. Previously, a separate provision for these liabilities was included on the balance sheet.

3 The deficit total of $434 million is made up of plans in deficit of $476 million (31 December 2019: $486 million) net of plans in surplus with assets totalling $42 million (31 December 2019: $28 million)

The Group's expected contribution to its defined benefit pension plans in 2022 is $ 116 million.

	2021			2020		
	Assets $million	Obligations $million	Total $million	Assets $million	Obligations $million	Total $million
At 1 January 2021	**2,957**	**(3,391)**	**(434)**	2,610	(3,068)	(458)
Contributions[1]	**123**	**(1)**	**122**	123	–	123
Current service cost[2]	**–**	**(64)**	**(64)**	–	(57)	(57)
Past service cost and curtailments	**–**	**5**	**5**	–	(14)	(14)
Settlement costs & impact of transfers[3]	**10**	**(6)**	**4**	19	(24)	(5)
Interest cost on pension plan liabilities	**–**	**(60)**	**(60)**	–	(70)	(70)
Interest income on pension plan assets	**53**	**–**	**53**	60	–	60
Benefits paid out[2]	**(220)**	**220**	**–**	(161)	161	–
Actuarial gains/(losses)[4]	**71**	**108**	**179**	241	(240)	1
Exchange rate adjustment	**(52)**	**55**	**3**	65	(79)	(14)
At 31 December 2021	**2,942**	**(3,134)**	**(192)**	2,957	(3,391)	(434)

1 Includes employee contributions of $1 million (31 December 2020: nil)

2 Includes administrative expenses paid out of plan assets of $1 million (31 December 2020: $2 million)

3 Impact of transfers includes a defined contribution plan in Zambia which was recognized within IAS 19 Disclosures for the first time this year due to the existence of an investment guarantee which constitutes a defined benefit under IAS 19. Previously, this plan was accounted for as a pure defined contribution plan.

4 Actuarial gain on obligation comprises of $108 million gain (31 December 2020: $256 million loss) from financial assumption changes, $3 million gain (31 December 2020: $21 million gain) from demographic assumption changes and $3 million loss (31 December 2020: $5 million loss) from experience

31. Share-based payments

Accounting policy

The Group operates equity-settled and cash-settled share-based compensation plans. The fair value of the employee services (measured by the fair value of the awards granted) received in exchange for the grant of the shares and awards is recognised as an expense. For deferred share awards granted as part of an annual performance award, the expense is recognised over the period from the start of the performance period to the vesting date. For example, the expense for three-year awards granted in 2022 in respect of 2021 performance, which vest in 2023-2025, is recognised as an expense over the period from 1 January 2021 to the vesting dates in 2023-2025. For all other awards, the expense is recognised over the period from the date of grant to the vesting date.

For equity-settled awards, the total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and awards at the date of grant, which excludes the impact of any non-market vesting conditions (for example, profitability and growth targets). The fair value of equity instruments granted is based on market prices, if available, at the date of grant. In the absence of market prices, the fair value of the instruments is estimated using an appropriate valuation technique, such as a binomial option pricing model. Non-market vesting conditions are included in assumptions for the number of shares and awards that are expected to vest.

At each balance sheet date, the Group revises its estimates of the number of shares and awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period. Forfeitures prior to vesting attributable to factors other than the failure to satisfy service conditions and non-market vesting conditions are treated as a cancellation and the remaining unamortised charge is debited to the income statement at the time of cancellation. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when awards in the form of options are exercised.

Cash-settled awards are revalued at each balance sheet date and a liability recognised on the balance sheet for all unpaid amounts, with any changes in fair value charged or credited to staff costs in the income statement until the awards are exercised. Where forfeitures occur prior to vesting that are attributable to factors other than a failure to satisfy service conditions or market-based performance conditions, the cumulative charge incurred up to the date of forfeiture is credited to the income statement. Any revaluation related to cash-settled awards is recorded as an amount due from subsidiary undertakings.

The Group operates a number of share-based arrangements for its executive directors and employees. Details of the share-based payment charge are set out below.

	2021[1]			2020[1]		
	Cash $million	Equity $million	Total $million	Cash $million	Equity $million	Total $million
Deferred share awards	9	81	90	(1)	59	58
Other share awards	10	67	77	(1)	75	74
Total share-based payments	19	148	167	(2)	134	132

1 No forfeiture assumed

2021 Standard Chartered Share Plan (the '2021 Plan') and 2011 Standard Chartered Share Plan (the '2011 Plan')

The 2021 Plan was approved by shareholders in May 2021 and is the Group's main share plan, replacing the 2011 Plan for new awards, June 2021. It may be used to deliver various types of share awards, previously granted under the 2011 Plan:

- Long Term Incentive Plan (LTIP) awards: granted with vesting subject to performance measures. Performance measures attached to awards granted previously include: total shareholder return (TSR); return on equity (RoE) and return on tangible equity (RoTE) (in the case of both RoE and RoTE, with a Common Equity Tier 1 (CET1) underpin); strategic measures; earnings per share (EPS) growth; and return on risk-weighted assets (RoRWA). Each measure is assessed independently over a three-year period. Awards granted from 2016 have an individual conduct gateway requirement that results in the award lapsing if not met
- Deferred awards are used to deliver the deferred portion of variable remuneration, in line with both market practice and regulatory requirements. These awards vest in instalments on anniversaries of the award date specified at the time of grant. Deferred awards are not subject to any plan limit. This enables the Group to meet regulatory requirements relating to deferral levels, and is in line with market practice
- 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 buy- 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 2021 Plan and 2011 Plan, no grant price is payable to receive an award. The remaining life of the 2021 Plan during which new awards can be made is ten years. The 2011 Plan has expired and no further awards will be granted under this plan.

31. Share-based payments continued

Valuation – LTIP awards

The vesting of awards granted in both 2021 and 2020 is subject to relative TSR performance measures, achievement of a strategic scorecard and satisfaction of RoTE (subject to a capital CET1 underpin). The vesting of awards granted in 2021 has additional conditions under strategic measures related to targets set for sustainability linked to business strategy. The fair value of the TSR component is calculated using the probability of meeting the measures over a three-year performance period, using a Monte Carlo simulation model. The number of shares expected to vest is evaluated at each reporting date, based on the expected performance against the RoTE and strategic measures in the scorecard, to determine the accounting charge.

No dividend equivalents accrue for the LTIP awards made in 2020 or 2021 and the fair value takes this into account, calculated by reference to market consensus dividend yield.

	2021	2020
Grant date	**15–March**	09–March
Share price at grant date (£)	**4.9**	5.2
Vesting period (years)	**03–Jul**	03–Jul
Expected divided yield (%)	**3.4**	4.2
Fair value (RoTE) (£)	**1.25, 1.20**	1.40, 1.34
Fair value (TSR) (£)	**0.72, 0.71**	0.75, 0.72
Fair value (Strategic) (£)	**1.66, 1.60**	1.40, 1.34

Valuation – deferred shares and restricted shares

The fair value for deferred awards which are not granted to material risk takers is based on 100 per cent of the face value of the shares at the date of grant as the share price will reflect expectations of all future dividends. For awards granted to material risk takers in 2021, the fair value of awards takes into account the lack of dividend equivalents, calculated by reference to market consensus dividend yield.

Deferred share awards

	2021			
Grant date	**21-Jun**		**15-Mar**	
Share price at grant date (£)	**4.69**		**4.9**	
Vesting period (years)	**Expected dividend yield (%)**	**Fair value (£)**	**Expected dividend yield (%)**	**Fair value (£)**
1-3 years	**N/A,3.4**	**4.69,4.24**	**N/A,3.4,3.4**	**4.90,4.58,4.43**
1-5 years	**3.4**	**4.17**	**3.4,3.4,3.4**	**4.43,4.36,4.29**
3-7 years	**–**	**–**	**3.4,3.4**	**4.15,4.01**

	2020					
Grant date	22-Jun		30-Mar		09-Mar	
Share price at grant date (£)	4.27		4.67		5.2	
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1-3 years	NA	4.27	NA,4.2	4.67,4.13	NA,4.2,4.2	5.20,4.79,4.59
1-5 years	–	–	4.2	4.04	4.2,4.2	4.59,4.50
3-7 years	–	–	–	–	4.2,4.2	4.23,4.06

31. Share-based payments continued

Other restricted share awards

Grant date	2021 30 September		2021 21 June		2021 15 March	
Share price at grant date (£)	4.37		4.69		4.90	
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1 year	3.4	4.23	3.4	4.53	3.4	4.74
2 years	3.4	4.09	3.4	4.38	3.4	4.58
3 years	3.4	3.95	3.4	4.24	3.4	4.43
4 years	3.4	3.82	3.4	4.10	3.4	4.29
5 years	3.4	3.70	–	–	–	–

Grant date	2020 26 November		2020 30 September		2020 22 June		2020 9 March	
Share price at grant date (£)	4.71		3.52		4.27		5.20	
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1 year	4.2	4.34,4.52	4.2	3.38	4.2	4.10	4.2	4.99
2 years	4.2	4.16,4.34	4.2	3.24	4.2	3.93	4.2	4.79
3 years	4.2	4.16	4.2	3.11	4.2	3.77	4.2	4.59
4 years	4.2	4.00	4.2	2.98	4.2	3.62	4.2	4.41
5 years	–	–	–	–	4.2	3.48	4.2	4.23

All Employee Sharesave Plans

2013 SharesavePlan

Under the 2013 Sharesave Plan, employees may open a savings contract. Within a maturity period of six months after the third anniversary, employees may save up to £250 per month over three years to purchase ordinary shares in the Company at a discount of up to 20 per cent on the share price at the date of invitation (this is known as the 'option exercise price'). There are no performance measures attached to options granted under the 2013 Sharesave Plan and no grant price is payable to receive an option. In some countries in which the Group operates, it is not possible to operate Sharesave plans, typically due to securities law and regulatory restrictions. In these countries, where possible, the Group offers an equivalent cash-based plan to its employees.

The 2013 Sharesave Plan was approved by shareholders in May 2013 and all future Sharesave invitations are made under this plan. The remaining life of the 2013 Sharesave Plan is one year.

Valuation – Sharesave:

Options under the Sharesave plans are valued using a binomial option-pricing model. The same fair value is applied to all employees including executive directors. The fair value per option granted and the assumptions used in the calculation are as follows:

All Employee Sharesave Plan (Sharesave)

	2021	2020
Grant date	30–September	30–September
Share price at grant date (£)	4.37	3.52
Exercise price (£)	3.67	3.14
Vesting period (years)	3	3
Expected volatility (%)	35.1	31.8
Expected option life (years)	3.33	3.33
Risk-free rate (%)	0.42	–0.07
Expected dividend yield (%)	3.4	4.2
Fair value (£)	1.11	0.69

The expected volatility is based on historical volatility over the last three years, or three years prior to grant. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. The expected dividend yield is calculated by reference to market consensus dividend yield.

31. Share-based payments continued

Limits

An award shall not be granted under the 2021 Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares allocated in the period of 10 calendar years ending with that calendar year under the 2021 Plan and under any other discretionary share plan operated by Standard Chartered PLC to exceed such number as represents 5 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

An award shall not be granted under the 2021 Plan or 2013 Sharesave Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares allocated in the period of 10 calendar years ending with that calendar year under the 2021 Plan or 2013 Sharesave Plan and under any other employee share plan operated by Standard Chartered PLC to exceed such number as represents 10 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

An award shall not be granted under the 2021 Plan or 2013 Sharesave Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares which may be issued or transferred pursuant to awards then outstanding under the 2021 Plan or 2013 Sharesave Plan as relevant to exceed such number as represents 10 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

The number of Standard Chartered PLC ordinary shares which may be issued pursuant to awards granted under the 2021 Plan in any 12-month period must not exceed such number as represents 1 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time. The number of Standard Chartered PLC ordinary shares which may be issued pursuant to awards granted under the 2013 Sharesave Plan in any 12-month period must not exceed such number as represents 1 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

Standard Chartered PLC has been granted a waiver from strict compliance with Rules 17.03(3), 17.03(9) and 17.03(18) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong. Details are set out in the market announcement made on 5 May 2021.

Reconciliation of share award movements for the year to 31 December 2021:

	2011 Plan[1]			
	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[2,3]	4,038,071	17,113,973	4,274,039	–
Lapsed	(15,005,847)	(1,018,379)	(3,964,053)	5.16
Exercised	(322,715)	(15,920,488)	(4,615)	3.53
Outstanding at 31 December 2021	11,627,751	39,718,654	16,897,075	3.95
Total number of securities available for issue under the plan	11,627,751	39,718,654	16,897,075	
Percentage of the issued shares this represents as at 31 December 2021	0.40%	1.30%	0.50%	3.95
Exercisable as at 31 December 2021	3,952	1,701,506	2,571,103	4.96
Range of exercise prices (£)[3]	–	–	3.14 – 6.20	–
Intrinsic value of vested but not exercised options ($ million)	0.02	10.33	0.38	
Weighted average contractual remaining life (years)	7.85	8.12	2.18	
Weighted average share price for awards exercised during the period (£)	4.97	4.89	4.66	

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. 34,606 (DRSA/RSA) granted as notional dividend on 13 August 2021, 3,274 (LTIP) granted as notional dividend on 13 August 2021, 82,791 (RSA) granted on 30 September 2021, 4,274,039 (Sharesave) granted on 30 September 2021. LTIP and DRSA/RSA awards granted in March 2021 were granted under the 2011 Plan, and DRSA/RSA awards granted in June and September 2021 were granted under the 2021 Plan. Notional dividends were granted under the 2011 Plan. Sharesave options granted in 2021 were granted under the 2013 Sharesave Plan.

3 For Sharesave options granted in 2021 the exercise price is £3.67 per share, which was a 20% discount to the closing share price on 27 August 2021. The closing share price on 27 August 2021 was £4.578.

31. Share-based payments continued

Reconciliation of share award movements for the year to 31 December 2020:

	2011 Plan[1]				Weighted average Sharesave exercise price (£)
	LTIP	Deferred/ Restricted shares	PSP[1]	Sharesave	
Outstanding at 1 January 2020	20,912,679	28,235,461		12,602,842	5.28
Granted[2,3]	3,086,220	23,452,802		7,373,729	–
Lapsed	(824,269)	(657,697)		(3,228,307)	5.37
Exercised	(256,388)	(11,487,018)		(156,560)	5.30
Outstanding at 31 December	22,918,242	39,543,548		16,591,704	4.31
Total number of securities available for issue under the plan	22,918,242	39,543,548		16,591,704	4.31
Percentage of the issued shares this represents as at 31 December	0.7%	1.3%		0.5%	
Exercisable as at 31 December	27,810	2,395,136		1,549,597	6.16
Range of exercise prices (£)[3]	–	–		3.14 – 6.20	–
Intrinsic value of vested but not exercised options ($ million)	0.18	15.23		0.02	
Weighted average contractual remaining life (years)	6.28	8.36		2.47	
Weighted average share price for awards exercised during the period (£)	4.28	4.55		6.76	

1. Employees do not contribute towards the cost of these awards
2. 22,007,464 (DRSA/RSA) granted on 09 March 2020, 189,991 (DRSA/RSA) granted as notional dividend on 06 March 2020, 3,025,163 (LTIP) granted on 09 March 2020, 56,805 (LTIP) granted as notional dividend on 06 March 2020, 86,319 (DRSA/RSA) granted on 30 March 2020, 214,754 (DRSA/RSA) granted on 22 June 2020, 4,252 (LTIP) granted as notional dividend on 25 August 2020, 503,520 (DRSA/RSA) granted on 30 September 2020, 7, 373,729 (Sharesave) granted on 30 September 2020, 450,754 (DRSA/RSA) granted on 26 November 2020.
3. For Sharesave granted in 2020 the exercise price is £3.14 per share, which was a 20% discount to the closing share price on 28 August 2020. The closing share price on 28 August 2020 was £3.924.

32. Investments in subsidiary undertakings, joint ventures and associates

Accounting policy

Subsidiaries

Subsidiaries are all entities, including structured entities, which the Group controls. The Group controls an entity when it is exposed to, and has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The assessment of power is based on the Group's practical ability to direct the relevant activities of the entity unilaterally for the Group's own benefit and is subject to reassessment if and when one or more of the elements of control change. Subsidiaries are fully consolidated from the date on which the Group effectively obtains control. They are deconsolidated from the date that control ceases, and where any interest in the subsidiary remains, this is remeasured to its fair value and the change in carrying amount is recognised in the income statement.

Associates and joint arrangements

Joint arrangements are where two or more parties either have rights to the assets, and obligations of the joint arrangement (joint operations), or have rights to the net assets of the joint arrangement (joint venture). The Group evaluates the contractual terms of joint arrangements to determine whether a joint arrangement is a joint operation or a joint venture. The Group did not have any contractual interest in joint operations.

An associate is an entity over which the Group has significant influence.

Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition (net of any accumulated impairment loss).

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. At each balance sheet date, the Group assesses whether there is any objective evidence of impairment in the investment in associates and joint ventures. Such evidence includes a significant or prolonged decline in the fair value of the Group's investment in an associate or joint venture below its cost, among other factors.

32. Investments in subsidiary undertakings, joint ventures and associates continued

Significant accounting estimates and judgements

The Group applies judgement in determining if it has control, joint control or significant influence over subsidiaries, joint ventures and associates respectively. These judgements are based upon identifying the relevant activities of counterparties, being those activities that significantly affect the entities returns, and further making a decision of if the Group has control over those entities, joint control, or has significant influence (being the power to participate in the financial and operating policy decisions but not control them).

These judgements are at times determined by equity holdings, and the voting rights associated with those holdings. However, further considerations including but not limited to board seats, advisory committee members and specialist knowledge of some decision-makers are also taken into account. Further judgement is required when determining if the Group has de-facto control over an entity even though it may hold less than 50% of the voting shares of that entity. Judgement is required to determine the relative size of the Group's shareholding when compared to the size and dispersion of other shareholders.

Impairment testing of investments in associates and joint ventures, and on a Company level investments in subsidiaries is performed if there is a possible indicator of impairment. Judgement is used to determine if there is objective evidence of impairment. Objective evidence may be observable data such as losses incurred on the investment when applying the equity method, the granting of concessions as a result of financial difficulty, or breaches of contracts/regulatory fines of the associate or joint venture. Further judgement is required when considering broader indicators of impairment such as losses of active markets or ratings downgrades across key markets in which the associate or joint venture operate in.

Impairment testing is based on estimates including forecasting the expected cash flows from the investments, growth rates, terminal values and the discount rate used in calculation of the present values of those cash flows. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement.

Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, together with the fair value of any contingent consideration payable. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill (see Note 17 for details on goodwill recognised by the Group). If the cost of acquisition is less than the fair value of the net assets and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the income statement.

Where the fair values of the identifiable net assets and contingent liabilities acquired have been determined provisionally, or where contingent or deferred consideration is payable, adjustments arising from their subsequent finalisation are not reflected in the income statement if (i) they arise within 12 months of the acquisition date (or relate to acquisitions completed before 1 January 2014) and (ii) the adjustments arise from better information about conditions existing at the acquisition date (measurement period adjustments). Such adjustments are applied as at the date of acquisition and, if applicable, prior year amounts are restated. All changes that are not measurement period adjustments are reported in income other than changes in contingent consideration not classified as financial instruments, which are accounted for in accordance with the appropriate accounting policy, and changes in contingent consideration classified as equity, which is not remeasured.

Changes in ownership interest in a subsidiary, which do not result in a loss of control, are treated as transactions between equity holders and are reported in equity. Where a business combination is achieved in stages, the previously held equity interest is remeasured at the acquisition date fair value with the resulting gain or loss recognised in the income statement.

In the Company's financial statements, investment in subsidiaries, associates and joint ventures are held at cost less impairment and dividends from pre-acquisition profits received prior to 1 January 2009, if any. Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in the Group accounts.

Investments in subsidiary undertakings	2021 $million	2020 $million
As at 1 January	**57,407**	58,037
Additions[1]	**4,023**	1,370
Disposal[2]	**(1,001)**	(2,000)
As at 31 December	**60,429**	57,407

1 Includes internal Additional Tier 1 issuances of $2.7 billion by Standard Chartered Bank and $1.3 billion by Standard Chartered Holdings Limited (31 December 2020: Includes internal Additional Tier 1 issuances of $1 billion by Standard Chartered Bank (Hong Kong) Limited)

2 Redemption of Additional Tier1 capital of $1 billion by Standard Chartered Bank (31 December 2020: Redemption of Additional Tier1 capital of $2 billion by Standard Chartered Bank)

32. Investments in subsidiary undertakings, joint ventures and associates continued

At 31 December 2021, the principal subsidiary undertakings, all indirectly held except for Standard Chartered Bank (Hong Kong) Limited, and principally engaged in the business of banking and provision of other financial services, were as follows:

Country and place of incorporation or registration	Main areas of operation	Group interest in ordinary share capital %
Standard Chartered Bank, England and Wales	United Kingdom, Middle East, South Asia, Asia Pacific, Americas and, through Group companies, Africa	100
Standard Chartered Bank (Hong Kong) Limited, Hong Kong	Hong Kong	100
Standard Chartered Bank (Singapore) Limited, Singapore	Singapore	100
Standard Chartered Bank Korea Limited, Korea	Korea	100
Standard Chartered Bank (China) Limited, China[1]	China	100
Standard Chartered Bank (Taiwan) Limited, Taiwan	Taiwan	100
Standard Chartered Bank AG, Germany	France, Germany, Sweden	100
Standard Chartered Bank Malaysia Berhad, Malaysia	Malaysia	100

1 Under PRC law, registered as Standard Chartered Bank (China) Limited

Country and place of incorporation or registration	Main areas of operation	Group interest in ordinary share capital %
Standard Chartered Bank (Thai) Public Company Limited, Thailand	Thailand	99.87
Standard Chartered Bank (Pakistan) Limited, Pakistan	Pakistan	98.99
Standard Chartered Bank Botswana Limited, Botswana	Botswana	75.83
Standard Chartered Bank Kenya Limited, Kenya	Kenya	74.32
Standard Chartered Bank Nepal Limited, Nepal	Nepal	70.21
Standard Chartered Bank Ghana PLC, Ghana	Ghana	69.42
Mox Bank Limited, Hong Kong	Hong Kong	65.10

A complete list of subsidiary undertaking is included in Note 40.

The Group does not have any material non-controlling interest except as listed above, which contribute $17 million (31 December 2020: $26 million) of the profit attributable to non-controlling interest and $298 million (31 December 2020: $308 million) of the equity attributable to non-controlling interests

While the Group's subsidiaries are subject to local statutory capital and liquidity requirements in relation to foreign exchange remittance, these restrictions arise in the normal course of business and do not significantly restrict the Group's ability to access or use assets and settle liabilities of the Group.

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory framework within which the banking subsidiaries operate. These frameworks require banking operations to keep certain levels of regulatory capital, liquid assets, exposure limits and comply with other required ratios. These restrictions are summarised below:

Regulatory and liquidity requirements

The Group's subsidiaries are required to maintain minimum capital, leverage ratios, liquidity and exposure ratios which therefore restrict the ability of these subsidiaries to distribute cash or other assets to the parent company.

The subsidiaries are also required to maintain balances with central banks and other regulatory authorities in the countries in which they operate. At 31 December 2021, the total cash and balances with central banks was $73 billion (31 December 2020: $67 billion) of which $8 billion (31 December 2020: $7 billion) is restricted.

Statutory requirements

The Group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits to the parent company, generally to maintain solvency. These requirements restrict the ability of subsidiaries to remit dividends to the Group. Certain subsidiaries are also subject to local exchange control regulations which provide for restrictions on exporting capital from the country other than through normal dividends.

32. Investments in subsidiary undertakings, joint ventures and associates continued

Contractual requirements

The encumbered assets in the balance sheet of the Group's subsidiaries are not available for transfer around the Group. Encumbered assets are disclosed in Risk review and Capital review (page 251).

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

	2021 $million	2020 $million
Loss from investment in joint ventures	**(2)**	(3)
Profit from investment in associates	**198**	154
Total	**196**	151

Interests in associates and joint ventures	2021 $million	2020 $million
As at 1 January	**2,162**	1,908
Exchange translation difference	**43**	123
Additions	**90**	52
Share of profits	**196**	151
Dividend received	**(38)**	–
Disposals	**(16)**	(35)
Impairment	**(300)**	–
Share of FVOCI and Other reserves	**10**	(37)
As at 31 December	**2,147**	2,162

A complete list of the Group's interest in associates is included in Note 40. The Group's principal associates are:

Associate	Nature of activities	Main areas of operation	Group interest in ordinary share capital %
China Bohai Bank	Banking	China	16.26
CurrencyFair Limited	Banking	Ireland	43.42

On the 10th September 2021, the Group, through its subsidiary Standard Chartered UK Holdings Limited completed its investment in CurrencyFair Limited, an Irish foreign exchange payments platform.

The Group purchased CurrencyFair through the contribution of its existing investment in its joint venture, Assembly Payments Pte. Limited, and a cash injection into CurrencyFair of $35 million, which provided the Group with equity of 43.42% in CurrencyFair. This ownership, along with seats on the board of directors resulted in the Group having significant influence over CurrencyFair and as such will equity method account the investment.

The transaction will facilitate creation of a combined payments and foreign exchange products franchise, combining the customer base, staff, expertise and capabilities of both CurrencyFair and Assembly Payments.

The fair value of consideration for the investment was as follows:

Consideration	$million
Fair value of the Group's investment in Assembly Payments[1]	36
Cash consideration	35
Total consideration/investment in associate	71

1 The fair value of Assembly Payments was determined to be $60 million, of which the Group's equity ownership on transfer was 59.63%. The Group carried this investment under the equity method at a balance of $16 million resulting in a profit on disposal of $20 million

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's ownership percentage in China Bohai Bank is 16.26%.

For the year ended 31 December 2021, the Group recognised Bohai's results through 30 September 2021 (12 months of earnings, including the fourth quarter of 2020). Bohai has a statutory year end of 31 December, but publishes their results after the Group. The Group will therefore continue on a three-month lag in recognising its share of Bohai's earnings going forward.

If the Group did not have significant influence in Bohai, the investment would be carried at fair value rather than the current carrying value.

32. Investments in subsidiary undertakings, joint ventures and associates continued

Impairment testing

At 31 December 2021, the carrying amount of Group's investment in Bohai was greater than its fair value based on the Group's shareholding and Bohai's quoted share price. As a result, the Group assessed its investment in associate for impairment and concluded an impairment loss of $300 million was required due to the shortfall between the value-in-use and the carrying amount. The decrease in recoverable amount of Bohai is primarily a result of lower forecast cashflows due to the latest published results being weaker than expected.

Bohai	2021 $million	2020 $million
VIU	1,917	2,943
Carrying amount pre impairment[1]	2,217	2,025
Fair value	1,114	1,888

1 The above represents the Group's 16.26% share of net assets less other equity instruments the Group does not hold

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 the following primary inputs:

- short to medium term projections based on management's best estimates of future profits available to ordinary shareholders. These projections have been determined with reference to the latest published financial results and historical performance
- a discount rate based upon a capital asset pricing model (CAPM) calculation for Bohai representing the risk-free rate and company risk premiums. Management compares this CAPM against external sources and the cost-of-equity used for transactions in the China market
- a long term growth rate, for China, which is used to extrapolate in perpetuity those expected short to medium term earnings to derive a terminal value, and
- an estimation of RWAs and RWA growth to determine a capital maintenance haircut to forecast profits. This 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 required retained earnings over time to meet the target capital ratios

The key assumptions used in the VIU calculation:

	2021 %	2020 %
Pre tax discount rate	14.83	12.75
Forecast profit long term growth rate	4.75	5.00
Long term RWA growth rate	4.75	5.00
Capital requirement adequacy ratio	7.50	7.50

	Base Case				Sensitivities – 2021									
					GDP		Discount rate		Forecast profit		RWA		Combined RWA -10% CF -10%	Combined RWA +10% CF +10%
					+1%	-1%	+1%	-1%	+10%	-10%	+10%	-10%		
Carrying amount Pre impairment $million	VIU $million	Headroom $million	Pre tax discount rate	GDP	Headroom $million	Headroom $million	Headroom $million	Headroom $million	Headroom $million	Headroom $million	Headroom $million	Headroom $million	Headroom $million	Headroom $million
2,217	1,917	(300)	14.83%	4.75%	(50)	(482)	(531)	18	9	(609)	(613)	12	(297)	(304)

To improve the headroom to zero would require, on the basis of changing individual assumptions, an increase in forecast profits by 9.71%, decrease in discount rate by 0.95%, increase in GDP growth rate by 1.16% or decrease in RWAs by 9.6%.

The movement in RWAs is correlated to forecast profit growth. This can be seen above in the combined RWA and cashflow scenarios in the sensitivity table.

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

	30 Sep 2021 $million	30 Sep 2020 $million
Total assets	250,951	202,537
Total liabilities	234,196	187,024
Other equity instruments	3,120	3,053
Operating income	3,557	3,474
Net profit	946	950
Other comprehensive income	58	(121)

33. Structured entities

Accounting policy

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Contractual arrangements determine the rights and therefore relevant activities of the structured entity. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their activities. Structured entities are consolidated when the substance of the relationship between the Group and the structured entity indicates the Group has power over the contractual relevant activities of the structured entity, is exposed to variable returns, and can use that power to affect the variable return exposure.

In determining whether to consolidate a structured entity to which assets have been transferred, the Group takes into account its ability to direct the relevant activities of the structured entity. These relevant activities are generally evidenced through a unilateral right to liquidate the structured entity, investment in a substantial proportion of the securities issued by the structured entity or where the Group holds specific subordinate securities that embody certain controlling rights. The Group may further consider relevant activities embedded within contractual arrangements such as call options which give the practical ability to direct the entity, special relationships between the structured entity and investors, and if a single investor has a large exposure to variable returns of the structured entity.

Judgement is required in determining control over structured entities. The purpose and design of the entity is considered, along with a determination of what the relevant activities are of the entity and who directs these. Further judgements are made around which investor is exposed to, and absorbs the variable returns of the structured entity. The Group will have to weigh up all of these facts to consider whether the Group, or another involved party is acting as a principal in its own right or as an agent on behalf of others. Judgement is further required in the ongoing assessment of control over structured entities, specifically if market conditions have an effect on the variable return exposure of different investors.

The Group has involvement with both consolidated and unconsolidated structured entities, which may be established by the Group as a sponsor or by a third-party.

Interests in consolidated structured entities: A structured entity is consolidated into the Group's financial statements where the Group controls the structured entity, as per the determination in the accounting policy above.

The following table presents the Group's interests in consolidated structured entities.

	2021 $million	2020 $million
Aircraft and ship leasing	3,450	4,388
Principal and other structured finance	229	365
Total	**3,679**	4,753

Interests in unconsolidated structured entities:

Unconsolidated structured entities are all structured entities that are not controlled by the Group. The Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities. An interest in a structured entity is contractual or non-contractual involvement which creates variability of the returns of the Group arising from the performance of the structured entity.

The table below presents the carrying amount of the assets recognised in the financial statements relating to variable interests held in unconsolidated structured entities, the maximum exposure to loss relating to those interests and the total assets of the structured entities. Maximum exposure to loss is primarily limited to the carrying amount of the Group's on-balance sheet exposure to the structured entity. For derivatives, the maximum exposure to loss represents the on-balance sheet valuation and not the notional amount. For commitments and guarantees, the maximum exposure to loss is the notional amount of potential future losses.

	2021					2020				
	Asset-backed securities $million	Structured finance $million	Principal Finance funds $million	Other activities $million	Total $million	Asset-backed securities $million	Structured finance $million	Principal Finance funds $million	Other activities $million	Total $million
Group's interest – assets										
Financial assets held at fair value through profit or loss	1,144	–	128	35	1,307	1,002	–	197	271	1,470
Loans and advances/ Investment securities at amortised cost	13,635	3,466	–	–	17,101	8,270	3,081	267	–	11,618
Investment securities (fair value through other comprehensive income)	2,221	–	–	–	2,221	2,912	–	–	–	2,912
Other assets	–	–	10	–	10	–	–	34	–	34
Total assets	17,000	3,466	138	35	20,639	12,184	3,081	498	271	16,034
Off-balance sheet	42	1,135	102	–	1,279	69	914	67	–	1,050
Group's maximum exposure to loss	17,042	4,601	240	35	21,918	12,253	3,995	565	271	17,084
Total assets of structured entities	241,580	13,956	1,014	37	256,587	198,622	10,410	2,424	276	211,732

33. Structured entities continued

The main types of activities for which the Group utilises unconsolidated structured entities cover synthetic credit default swaps for managed investment funds (including specialised Principal Finance funds), portfolio management purposes, structured finance and asset-backed securities. These are detailed as follows:

- **Asset-backed securities (ABS):** The Group also has investments in asset-backed securities issued by third-party sponsored and managed structured entities. For the purpose of market making and at the discretion of ABS trading desk, the Group may hold an immaterial amount of debt securities from structured entities originated by credit portfolio management. This is disclosed in the ABS column above.

  Portfolio management (Group sponsored entities): For the purposes of portfolio management, the Group purchased credit protection via synthetic credit default swaps from note-issuing structured entities. This credit protection creates credit risk which the structured entity and subsequently the end investor absorbs. The referenced assets remain on the Group's balance sheet as they are not assigned to these structured entities. The Group continues to own or hold all of the risks and returns relating to these assets. The credit protection obtained from the regulatory-compliant securitisation only serves to protect the Group against losses upon the occurrence of eligible credit events and the underlying assets are not derecognised from the Group's balance sheet. The Group does not hold any equity interests in the structured entities, but may hold an insignificant amount of the issued notes for market making purposes. This is disclosed in the ABS section above. The proceeds of the notes' issuance are typically held as cash collateral in the issuer's account operated by a trustee or invested in AAA-rated government-backed securities to collateralise the structured entities swap obligations to the Group, and to repay the principal to investors at maturity. The structured entities reimburse the Group on actual losses incurred, through the use of the cash collateral or realisation of the collateral security. Correspondingly, the structured entities write down the notes issued by an equal amount of the losses incurred, in reverse order of seniority. All funding is committed for the life of these vehicles and the Group has no indirect exposure in respect of the vehicles' liquidity position. The Group has reputational risk in respect of certain portfolio management vehicles and investment funds either because the Group is the arranger and lead manager or because the structured entities have Standard Chartered branding.

- **Structured finance:** Structured finance comprises interests in transactions that the Group or, more usually, a customer has structured, using one or more structured entities, which provide beneficial arrangements for customers. The Group's exposure primarily represents the provision of funding to these structures as a financial intermediary, for which it receives a lender's return. The transactions largely relate to real estate financing and the provision of aircraft leasing and ship finance.

- **Principal Finance Fund:** The Group's exposure to Principal Finance Funds represents committed or invested capital in unleveraged investment funds, primarily investing in pan-Asian infrastructure, real estate and private equity.

- **Other activities:** Other activities include structured entities created to support margin financing transactions, the refinancing of existing credit and debt facilities, as well as setting up of bankruptcy remote structured entities.

34. Cash flow statement

Adjustment for non-cash items and other adjustments included within income statement

	Group		Company	
	2021 $million	2020 $million	2021 $million	2020 $million
Amortisation of discounts and premiums of investment securities	**9**	(588)	**–**	–
Interest expense on subordinated liabilities	**497**	637	**551**	606
Interest expense on senior debt securities in issue	**528**	639	**522**	559
Other non-cash items	**(113)**	(67)	**(30)**	(36)
Pension costs for defined benefit schemes	**62**	81	**–**	–
Share-based payment costs	**167**	132	**–**	–
Impairment losses on loans and advances and other credit risk provisions	**254**	2,325	**–**	–
Dividend income from subsidiaries	**–**	–	**(2,244)**	(1,110)
Other impairment	**372**	587	**–**	–
Gain on disposal of property, plant and equipment	**(93)**	(27)	**–**	–
Gain on disposal of FVOCI and AMCST financial assets	**(179)**	(471)	**–**	–
Depreciation and amortisation	**1,181**	1,251	**–**	–
Fair value changes taken to PL	**(48)**	–	**–**	–
Foreign Currency revaluation	**(337)**	–	**–**	–
Net gain on derecognition of investment in associate	**–**	(6)	**–**	–
Profit from associates and joint ventures	**(196)**	(151)	**–**	–
Total	**2,104**	4,342	**(1,201)**	19

34. Cash flow statement continued

Change in operating assets

	Group		Company	
	2021 $million	2020 $million	2021 $million	2020 $million
Decrease/(increase) in derivative financial instruments	**16,527**	(21,640)	**630**	(742)
Increase in debt securities, treasury bills and equity shares held at fair value through profit or loss	**(7,707)**	(5,385)	**(2,864)**	(8,281)
Increase in loans and advances to banks and customers	**(41,066)**	(5,361)	**–**	–
Net (increase)/decrease in prepayments and accrued income	**(84)**	588	**–**	–
Net (increase)/decrease in other assets	**(5,574)**	(6,266)	**(3,131)**	572
Total	**(37,904)**	(38,064)	**(5,365)**	(8,451)

Change in operating liabilities

	Group		Company	
	2021 $million	2020 $million	2021 $million	2020 $million
(Decrease)/increase in derivative financial instruments	**(17,664)**	22,399	**–**	(378)
Net increase in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	**66,805**	28,087	**3,977**	6,630
Increase/(decrease) in accruals and deferred income	**176**	(845)	**(15)**	67
Net (decrease)/ increase in other liabilities	**(3,365)**	4,796	**(835)**	96
Total	**45,952**	54,437	**3,127**	6,415

In 2020, $790 million of additions to internally generated capitalised software were included in the cash flows from operating activities section of the cash flow statement within change in operating assets. In 2021, $989 million of additions to internally generated capitalised software are included in cash flows from investing activities as a separate line item. The 2020 comparative cash flow statement has not been adjusted for this change in classification.

Disclosures

	Group		Company	
	2021 $million	2020 $million	2021 $million	2020 $million
Subordinated debt (including accrued interest):				
Opening balance	**16,892**	16,445	**16,301**	14,737
Proceeds from the issue	**1,137**	2,473	**1,137**	2,473
Interest paid	**(580)**	(601)	**(576)**	(537)
Repayment	**(546)**	(2,446)	**(546)**	(1,402)
Foreign exchange movements	**(201)**	170	**(201)**	166
Fair value changes	**(401)**	255	**(305)**	243
Accrued Interest and Others	**584**	596	**585**	552
Closing balance	**16,885**	16,892	**16,395**	16,232
Senior debt (including accrued interest):				
Opening balance	**29,990**	23,889	**20,889**	19,849
Proceeds from the issue	**10,944**	9,953	**2,250**	2,193
Interest paid	**(690)**	(627)	**(504)**	(575)
Repayment	**(9,945)**	(4,305)	**(5,408)**	(2,106)
Foreign exchange movements	**(678)**	622	**(366)**	468
Fair value changes	**(402)**	574	**(372)**	426
Accrued Interest and Others	**685**	(117)	**492**	634
Closing balance	**29,904**	29,989	**16,981**	20,889

35. Cash and cash equivalents

Accounting policy

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, on demand and overnight balances with central banks (unless restricted) and balances with less than three months' maturity from the date of acquisition, including treasury bills and other eligible bills, loans and advances to banks, and short-term government securities.

The following balances with less than three months' maturity from the date of acquisition have been identified by the Group as being cash and cash equivalents.

	Group		Company	
	2021 $million	2020	**2021 $million**	2020 $million
Cash and balances at central banks	**72,663**	66,712	**–**	–
Less: restricted balances	**(8,152)**	(7,341)	**–**	–
Treasury bills and other eligible bills	**9,132**	10,500	**–**	–
Loans and advances to banks	**24,788**	25,762	**–**	–
Trading securities	**1,174**	2,241	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**11,336**	12,283
Total	**99,605**	97,874	**11,336**	12,283

36. Related party transactions

Directors and officers

Details of directors' remuneration and interests in shares are disclosed in the Directors' remuneration report.

IAS 24 Related party disclosures requires the following additional information for key management compensation. Key management comprises non-executive directors, executive directors of Standard Chartered PLC, the Court directors of Standard Chartered Bank and the persons discharging managerial responsibilities (PDMR) of Standard Chartered PLC.

	2021 $million	2020 $million
Salaries, allowances and benefits in kind	**40**	35
Share-based payments	**28**	26
Bonuses paid or receivable	**4**	1
Total	**72**	62

Transactions with directors and others

At 31 December 2021, the total amounts to be disclosed under the Companies Act 2006 (the Act) and the Listing Rules of the Hong Kong Stock Exchange Limited (Hong Kong Listing Rules) about loans to directors were as follows:

	2021		2020	
	Number	**$million**	Number	$million
Directors[1]	**3**	**–**	3	–

1 Outstanding loan balances were below $50,000

The loan transactions provided to the directors of Standard Chartered PLC were a connected transaction under Chapter 14A of the Hong Kong Listing Rules. It was fully exempt as financial assistance under Rule 14A.87(1), as it was provided in our ordinary and usual course of business and on normal commercial terms.

As at 31 December 2021, Standard Chartered Bank had in place a charge over $100 million (31 December 2020: $89 million) of cash assets in favour of the independent trustee of its employer financed retirement benefit scheme.

Other than as disclosed in the Annual Report and Accounts, there were no other transactions, arrangements or agreements outstanding for any director, connected person or officer of the Company which have to be disclosed under the Act, the rules of the UK Listing Authority or the Hong Kong Listing Rules.

36. Related party transactions continued

Company

The Company has received $907 million (31 December 2020: $904 million) of net interest income from its subsidiaries. The Company issues debt externally and lends proceeds to Group companies.

The Company has an agreement with Standard Chartered Bank that in the event of Standard Chartered Bank defaulting on its debt coupon interest payments, where the terms of such debt requires it, the Company shall issue shares as settlement for non-payment of the coupon interest.

	2021			2020		
	Standard Chartered Bank $million	Standard Chartered Bank (Hong Kong) Limited $million	Others[1] $million	Standard Chartered Bank $million	Standard Chartered Bank (Hong Kong) Limited $million	Others[1] $million
Assets						
Due from subsidiaries	**10,814**	**82**	**279**	11,706	45	356
Derivative financial instruments	**266**	**54**	**–**	846	126	–
Debt securities	**19,047**	**4,852**	**1,173**	18,092	4,686	1,151
Total assets	**30,127**	**4,988**	**1,452**	30,644	4,857	1,507
Liabilities						
Due to subsidiaries	**–**	**–**	**–**	212	–	–
Derivative financial instruments	**339**	**–**	**–**	347	–	13
Total liabilities	**339**	**–**	**–**	559	–	13

1 Others include Standard Chartered Bank (Singapore) Limited, Standard Chartered Holdings Limited and Standard Chartered I H Limited

Associate and joint ventures

The following transactions with related parties are on an arm's length basis:

	2021 $million	2020 $million
Assets		
Loans and advances	**–**	5
Total assets	**–**	5
Liabilities		
Deposits	**984**	1,061
Derivative liabilities	**1**	5
Total liabilities	**985**	1,066
Loan commitments and other guarantees[1]	**80**	55

1 The maximum loan commitments and other guarantees during the period were $80 million (31 December 2020: $55 million)

37. Post balance sheet events

On 12 January 2022, Standard Chartered PLC issued $1,250 million 2.608 per cent senior debt due 2028 (callable 2027) and $750 million 3.603 per cent subordinated debt security due 2033 (callable 2032).

A share buy-back for up to a maximum consideration of $750 million has been declared by the directors after 31 December 2021. This will reduce the number of ordinary shares in issue by cancelling the repurchased shares.

A final dividend for 2021 of 9 cents per ordinary share was declared by the directors after 31 December 2021.

38. Auditor's remuneration

Auditor's remuneration is included within other general administration expenses. The amounts paid by the Group to their principal auditor, Ernst & Young LLP and its associates (together Ernst & Young LLP), are set out below. All services are approved by the Group Audit Committee and are subject to controls to ensure the external auditor's independence is unaffected by the provision of other services.

	2021 $million	2020 $million
Audit fees for the Group statutory audit	**15.9**	11.0
of which fees for the audit of Standard Chartered Bank Group	**11.8**	8.1
Fees payable to EY for other services provided to the SC PLC Group:		
Audit of Standard Chartered PLC subsidiaries	**10.8**	9.9
Total audit fees	**26.7**	20.9
Audit-related assurance services	**5.3**	5.1
Other assurance services	**3.2**	2.1
Other non-audit services	**0.1**	0.1
Corporate finance transaction services	**0.6**	0.4
Total fees payable	**35.9**	28.6

The following is a description of the type of services included within the categories listed above:

- Audit fees for the Group statutory audit are in respect of fees payable to Ernst & Young LLP for the statutory audit of the consolidated financial statements of the Group and the separate financial statements of Standard Chartered PLC
- Audit-related fees consist of fees such as those for services required by law or regulation to be provided by the auditor, reviews of interim financial information, reporting on regulatory returns, reporting to a regulator on client assets and extended work performed over financial information and controls authorised by those charged with governance
- Other assurance services include agreed-upon-procedures in relation to statutory and regulatory filings
- Corporate finance transaction services are fees payable to EY LLP for issuing comfort letters

Expenses incurred in respect of their role as auditors were reimbursed to EY LLP ($0.2 million). Such expenses did not exceed 1% of total fees charged above.

39. Standard Chartered PLC (Company)

Group reorganisation

The Group has completed a Group reorganisation. The purpose of the reorganisation was to form a holding company structure (a "Singapore Hub") under the existing Standard Chartered Bank Group.

The Singapore Hub has been created with Standard Chartered Bank (Singapore) Limited ("SCB SL") acquiring ownership of 100% of Standard Chartered Bank Malaysia Berhad ("SCB MY"), Standard Chartered Bank (Vietnam) Limited ("SCB VN"),and 99.871% of Standard Chartered Bank (Thai) Public Company Limited ("SCB TH").

On 1 September 2021, SCB SL purchased SCB MY from Standard Chartered Holdings (Asia Pacific) B.V. ("SCHAP").

On 1 November 2021, SCB SL purchased SCB TH directly from the Company for the issuance of SCB SL share capital.

On 1 December 2021, SCB SL purchased SCB VN directly from the Company for the issuance of SCB SL share capital.

The above had no impact on the PLC Group.

39. Standard Chartered PLC (Company) continued

Classification and measurement of financial instruments

Financial assets	2021 Derivatives held for hedging $million	2021 Amortised cost $million	2021 Non-trading mandatorily at fair value through profit or loss $million	2021 Total $million	2020 Derivatives held for hedging $million	2020 Amortised cost $million	2020 Non-trading mandatorily at fair value through profit or loss $million	2020 Total $million
Derivatives	320	–	–	320	971	–	–	971
Investment securities	–	9,424	15,647[1]	25,071	–	11,146	12,783[1]	23,929
Amounts owed by subsidiary undertakings	–	11,336	–	11,336	–	12,283	–	12,283
Total	320	20,760	15,647	36,727	971	23,429	12,783	37,183

1 Standard Chartered Bank, Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Bank (China) Limited and Standard Chartered Bank (Singapore) Limited issued Loss Absorbing Capacity (LAC) eligible debt securities

Instruments classified as amortised cost are recorded in Stage 1.

Derivatives held for hedging are held at fair value and are classified as Level 2 while the counterparty is Standard Chartered Bank and Standard Chartered Bank (Hong Kong) Limited.

Debt securities comprise corporate securities issued by Standard Chartered Bank and have a fair value equal to carrying value of $9,424 million (31 December 2020: $11,146 million).

In 2021 and 2020, amounts owed by subsidiary undertakings have a fair value equal to carrying value.

Financial liabilities	2021 Derivatives held for hedging $million	2021 Amortised cost $million	2021 Designated at fair value through profit or loss $million	2021 Total $million	2020 Derivatives held for hedging $million	2020 Amortised cost $million	2020 Designated at fair value through profit or loss $million	2020 Total $million
Derivatives	339	–	–	339	360	–	–	360
Debt securities in issue	–	16,809	9,472	26,281	–	20,701	5,266	25,967
Subordinated liabilities and other borrowed funds	–	13,830	2,332	16,162	–	14,783	1,286	16,069
Amounts owed to subsidiary undertakings	–	–	–	–	–	212	–	212
Total	339	30,639	11,804	42,782	360	35,696	6,552	42,608

Derivatives held for hedging are held at fair value and are classified as Level 2 while the counterparty is Standard Chartered Bank.

The fair value of debt securities in issue held at amortised cost is $17,171 million (31 December 2020: $21,231 million).

The fair value of subordinated liabilities and other borrowed funds held at amortised cost is $14,569 million (31 December 2020: $15,798 million).

Derivative financial instruments

Derivatives	2021 Notional principal amounts $million	2021 Assets $million	2021 Liabilities $million	2020 Notional principal amounts $million	2020 Assets $million	2020 Liabilities $million
Foreign exchange derivative contracts:						
Forward foreign exchange	8,362	54	51	3,300	126	125
Currency swaps	2,049	–	207	3,895	17	186
Interest rate derivative contracts:						
Swaps	14,465	266	81	14,677	777	–
Forward rate agreements and options	–	–	–	394	51	49
Total	24,876	320	339	22,266	971	360

39. Standard Chartered PLC (Company) continued

Credit risk

Maximum exposure to credit risk

	2021 $million	2020 $million
Derivative financial instruments	**320**	971
Debt securities	**25,071**	23,929
Amounts owed by subsidiary undertakings	**11,336**	12,283
Total	**36,727**	37,183

In 2021 and 2020, amounts owed by subsidiary undertakings were neither past due nor impaired; the Company had no individually impaired loans.

In 2021 and 2020, the Company had no impaired debt securities. The debt securities held by the Company are issued by Standard Chartered Bank, Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Bank (China) Limited and Standard Chartered Bank (Singapore) Limited, subsidiary undertakings with credit ratings of A+/A/A1.

There is no material expected credit loss on these instruments as they are Stage 1 assets, and of a high quality.

Liquidity risk

The following table analyses the residual contractual maturity of the assets and liabilities of the Company on a discounted basis:

	2021								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Derivative financial instruments	55	1	2	–	–	55	104	103	320
Investment securities	–	–	–	–	960	4,444	2,947	16,720	25,071
Amount owed by subsidiary undertakings	2,335	159	216	305	853	2,349	2,132	2,987	11,336
Investments in subsidiary undertakings	–	–	–	–	–	–	–	60,429	60,429
Total assets	2,390	160	218	305	1,813	6,848	5,183	80,239	97,156
Liabilities									
Derivative financial instruments	47	–	–	4	95	–	117	76	339
Senior debt	–	–	–	–	–	4,542	11,873	9,866	26,281
Other liabilities	169	126	83	15	10	–	–	59	462
Subordinated liabilities and other borrowed funds	1,007	47	15	240	883	2,409	2,470	9,091	16,162
Total liabilities	1,223	173	98	259	988	6,951	14,460	19,092	43,244
Net liquidity gap	1,167	(13)	120	46	825	(103)	(9,277)	61,147	53,912

39. Standard Chartered PLC (Company) continued

Liquidity risk continued

	2020								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Derivative financial instruments	136	–	–	–	21	3	326	485	971
Investment securities	–	–	–	–	–	4,247	4,770	14,912	23,929
Amount owed by subsidiary undertakings	574	600	1,355	975	–	2,370	3,300	3,109	12,283
Investments in subsidiary undertakings	–	–	–	–	–	–	–	57,407	57,407
Other assets	–	–	–	–	–	–	–	9	9
Total assets	710	600	1,355	975	21	6,620	8,396	75,922	94,599
Liabilities									
Derivative financial instruments	138	–	114	–	–	10	50	48	360
Senior debt	1,000	–	1,230	436	–	2,760	9,950	10,591	25,967
Amount owed to subsidiary undertakings	–	–	–	–	–	–	–	212	212
Other liabilities	179	126	92	12	10	–	–	46	465
Subordinated liabilities and other borrowed funds	–	–	–	–	–	1,956	3,710	10,403	16,069
Total liabilities	1,317	126	1,436	448	10	4,726	13,710	21,300	43,073
Net liquidity gap	(607)	474	(81)	527	11	1,894	(5,314)	54,622	51,526

Financial liabilities on an undiscounted basis

	2021								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Derivative financial instruments	47	–	–	4	95	–	117	76	339
Debt securities in issue	102	30	179	130	196	5,144	13,122	11,019	29,922
Subordinated liabilities and other borrowed funds	1,114	134	37	261	917	2,522	2,786	15,376	23,147
Other liabilities	–	–	–	–	–	–	–	59	59
Total liabilities	1,263	164	216	395	1,208	7,666	16,025	26,530	53,467

	2020								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Derivative financial instruments	138	–	114	–	–	10	50	48	360
Debt securities in issue	1,000	11	1,517	446	317	3,350	11,225	11,783	29,649
Subordinated liabilities and other borrowed funds	–	–	239	–	359	2,567	5,069	14,700	22,934
Other liabilities	–	–	–	–	–	–	–	36	36
Total liabilities	1,138	11	1,870	446	676	5,927	16,344	26,567	52,979

40. Related undertakings of the Group

As at 31 December 2021, the Group's interests in related undertakings are disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of the Group. Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Funding (Jersey) Limited, Stanchart Nominees Limited, Standard Chartered Holdings Limited and Standard Chartered Nominees Limited are directly held subsidiaries, all other related undertakings are held indirectly. Unless otherwise stated, the principal country of operation of each subsidiary is the same as its country of incorporation Note 32 details undertakings that have a significant contribution to the Group's net profit or net assets.

Subsidiary Undertakings

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom			
FinVentures UK Limited	United Kingdom	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
SC (Secretaries) Limited	United Kingdom	£1.00 Ordinary shares	100
SC Transport Leasing 1 LTD	United Kingdom	£1.00 Ordinary shares	100
SC Transport Leasing 2 Limited	United Kingdom	£1.00 Ordinary shares	100
SC Ventures Innovation Investment L.P.	United Kingdom	Limited Partnership interest	100
SCMB Overseas Limited	United Kingdom	£0.10 Ordinary shares	100
Stanchart Nominees Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Africa Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Bank	United Kingdom	$0.01 Non-Cumulative Irredeemable Preference shares	100
		$5.00 Non-Cumulative Redeemable Preference shares	100
		$1.00 Ordinary shares	100
Standard Chartered Foundation[1]	United Kingdom	Guarantor	100
Standard Chartered Health Trustee (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Holdings Limited	United Kingdom	$2.00 Ordinary shares	100
Standard Chartered I H Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Leasing (UK) 2 Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Leasing (UK) 3 Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Leasing (UK) Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered NEA Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Nominees Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Nominees (Private Clients UK) Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Overseas Holdings Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Securities (Africa) Holdings Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Trustees (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered UK Holdings Limited	United Kingdom	£10.00 Ordinary shares	100
The SC Transport Leasing Partnership 1	United Kingdom	Limited Partnership interest	100
The SC Transport Leasing Partnership 2	United Kingdom	Limited Partnership interest	100
The SC Transport Leasing Partnership 3	United Kingdom	Limited Partnership interest	100
The SC Transport Leasing Partnership 4	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 1 LP[1]	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 2 LP[1]	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 3 LP[1]	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 4 LP[1]	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 5 LP[1]	United Kingdom	Limited Partnership interest	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 2 More London Riverside, London SE1 2JT, United Kingdom			
Bricks (C&K) LP[1]	United Kingdom	Limited Partnership interest	100
Bricks (C) LP[1]	United Kingdom	Limited Partnership interest	100
Bricks (T) LP[1]	United Kingdom	Limited Partnership interest	100
Bricks (M) LP[1]	United Kingdom	Limited Partnership interest	100
The following companies have the address of 8th Floor, 20 Farringdon Street, London, EC4A 4AB, United Kingdom.			
SC Ventures G.P. Limited	United Kingdom	£1.00 Ordinary shares	100
Assembly Payments UK Ltd	United Kingdom	£1.00 Ordinary shares	100
The following company has the address of 1 Bartholomew Lane, London, EC2N 2AX, United Kingdom			
Corrasi Covered Bonds LLP	United Kingdom	Membership Interest	50
The following companies have the address of Thomas House, 84 Eccleston Square, London, SW1V 1PX, United Kingdom			
Zodia Custody Limited	United Kingdom	$1.00 Ordinary shares	100
Zodia Holdings Limited	United Kingdom	$1.00 Ordinary shares	100
The following company has the address of TMF Group, 8th Floor, 20 Farringdon Street, London, EC4A 4AB, United Kingdom			
Zodia Markets (UK) Limited	United Kingdom	$1.00 Ordinary shares	100
The following company has the address of Spaces, 25 Wilton Road, Victoria, London, SW1V 1LW, United Kingdom			
Zodia Markets Holdings Limited	United Kingdom	$1.00 Ordinary shares	75.01
The following company has the address of Robert Denholm House, Bletchingly Road, Nutfield, Redhill, RH1 4HW, United Kingdom			
CurrencyFair (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
The following company has the address Edifício Kilamba, 7 Andar Avenida 4 de Fevereiro, Marginal, Luanda, Angola			
Standard Chartered Bank Angola S.A.	Angola	AOK8,742.05 Ordinary shares	60
The following company has the address of Level 5, 345 George St, Sydney NSW 2000, Australia			
Standard Chartered Grindlays Pty Limited	Australia	AUD Ordinary shares	100
The following company has the address of 17/31 Queen Street, Melbourne VIC 3000, Australia			
Assembly Payments Australia Pty Ltd	Australia	$ Ordinary shares	100
The following company has the address of Wilsons Landing, Level 5, 6A Glen Street, Milsons Point NSW 2061, Australia			
CurrencyFair Australia Pty Ltd	Australia	AUD Ordinary	100
The following company has the address of Level 20, 31 Queen Street, Melbourne VIC 3000, Australia			
Zai Australia Pty Ltd	Australia	AUD0.01 Ordinary shares	100
		$1.00 Ordinary shares	100
The following companies have the address of 5th Floor Standard House Bldg, The Mall, Queens Road, PO Box 496, Gaborone, Botswana			
Standard Chartered Bank Insurance Agency (Proprietary) Limited	Botswana	BWP Ordinary shares	100
Standard Chartered Investment Services (Proprietary) Limited	Botswana	BWP Ordinary shares	100
Standard Chartered Bank Botswana Limited	Botswana	BWP Ordinary shares	75.8
Standard Chartered Botswana Nominees (Proprietary) Limited	Botswana	BWP Ordinary shares	100
Standard Chartered Botswana Education Trust[2]	Botswana	Interest in Trust	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of Avenida Brigadeiro Faria Lima, no 3.477, 6 andar, conjunto 62 – Torre Norte, Condominio Patio Victor Malzoni, CEP 04538-133, Sao Paulo, Brazil			
Standard Chartered Participacoes Ltda	Brazil	BRL1.00 Ordinary shares	100
Standard Chartered Representação Ltda	Brazil	BRL1.00 Ordinary shares	100
The following company has the address of G01-02, Wisma Haji Mohd Taha Building, Jalan Gadong, BE4119, Brunei Darussalam			
Standard Chartered Securities (B) Sdn Bhd	Brunei Darussalam	BND1.00 Ordinary shares	100
The following company has the address of Standard Chartered Bank Cameroon S.A, 1155, Boulevard de la Liberté, Douala, B.P. 1784, Cameroon			
Standard Chartered Bank Cameroon S.A.	Cameroon	XAF10,000.00 Ordinary shares	100
The following company has the address of 66 Wellington Street, West, Suite 4100, Toronto Dominion Centre, Toronto ON M5K 1B7, Canada			
CurrencyFair (Canada) Ltd	Canada	CAN$ Common shares	100
The following company has the address of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands			
Cerulean Investments LP	Cayman Islands	Limited Partnership interest	100
The following company has the address of Maples Finance Limited, PO Box 1093 GT, Queensgate House, Georgetown, Grand Cayman, Cayman Islands			
SCB Investment Holding Company Limited	Cayman Islands	$1,000.00 A Ordinary shares	100
The following company has the address of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road George Town, Grand Cayman KY1-9008, Cayman Islands			
Sirat Holdings Limited[4]	Cayman Islands	$0.01 Ordinary shares	100
The following company has the address of No. 1034, Managed by Tianjin Dongjiang Secretarial Services , Co., Ltd., Room 202, Office Area of Inspection Warehouse,, No.6262 Ao Zhou Road, Dongjiang Free Trade Port Zone, Tianjin Pilot Free Trade Zone, China			
Pembroke Aircraft Leasing (Tianjin) Limited[3]	China	$1.00 Ordinary shares	100
The following company has the address of No. 1035, Managed by Tianjin Dongjiang Secretarial Services , Co., Ltd., Room 202, Office Area of Inspection Warehouse,, No.6262 Ao Zhou Road, Dongjiang Free Trade Port Zone, Tianjin Pilot Free Trade Zone, China			
Pembroke Aircraft Leasing Tianjin 1 Limited[3]	China	CNY1.00 Ordinary shares	100
The following company has the address of No. 1036, Managed by Tianjin Dongjiang Secretarial Services , Co., Ltd., Room 202, Office Area of Inspection Warehouse,, No.6262 Ao Zhou Road, Dongjiang Free Trade Port Zone, Tianjin Pilot Free Trade Zone, China			
Pembroke Aircraft Leasing Tianjin 2 Limited[3]	China	CNY1.00 Ordinary shares	100
The following company has the address of Standard Chartered Tower, 201 Century Avenue, Pudong, Shanghai 200120, China			
Standard Chartered Bank (China) Limited[3]	China	CNY Ordinary shares	100
The following company has the address of 26F, Fortune Financial Centre, #5, Dong San Huan Zhong Lu, Chaoyang District, Beijing, P. R. China.			
Standard Chartered Corporate Advisory Co. Ltd[3]	China	$1.00 Ordinary shares	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of No. 35, Xinhuanbei Road, TEDA, Tianjin, 300457, China			
Standard Chartered Global Business Services Co., Ltd[3]	China	$ Ordinary shares	100
The following companies have the address of Units 61-65 (Office use only), Self-numbered Room 01-04, Room 901, No 6, Zhujiang East Road, Tianhe District, Guangzhou City, Guangdong Province, China			
Standard Chartered Global Business Services (Guangzhou) Co., Ltd.[3]	China	$ Ordinary shares	100
Standard Chartered (Guangzhou) Business Management Co., Ltd.[3]	China	$ Ordinary shares	100
The following company has the address of Room 2619, No 9, Linhe West Road, Tianhe District, Guangzhou, China			
Guangzhou CurrencyFair Information Technology Limited[3]	China	CNY Ordinary shares	100
The following company has the address of No. 188 Yeshen Rd, 11F, A-1161 RM, Pudong New District, Shanghai, 31, 201308, China			
Standard Chartered Trading (Shanghai) Limited[3]	China	$15,000,000.00 Ordinary Shares	100
The following company has the address of Standard Chartered Bank Cote d'Ivoire, 23 Boulevard de la République, Abidjan 17, 17 B.P. 1141, Cote d'Ivoire			
Standard Chartered Bank Cote d' Ivoire SA	Cote d'Ivoire	XOF100,000.00 Ordinary shares	100
The following company has the address of Standard Chartered Bank France, 32 Rue de Monceau,75008, Paris, France			
Pembroke Lease France SAS	France	€1.00 Ordinary shares	100
The following company has the address of 8 Ecowas Avenue, Banjul, Gambia			
Standard Chartered Bank Gambia Limited	Gambia	GMD1.00 Ordinary shares	74.85
The following company has the address of Taunusanlage 16, 60325, Frankfurt am Main, Germany			
Standard Chartered Bank AG	Germany	€ Ordinary shares	100
The following companies have the address of Standard Chartered Bank Building, 87 Independence Avenue, P.O. Box 768, Accra,Ghana			
Standard Chartered Bank Ghana PLC	Ghana	GHS Ordinary shares	69.4
		GHS0.52 Preference shares	87.0
Standard Chartered Ghana Nominees Limited	Ghana	GHS Ordinary shares	100
The following company has the address of Standard Chartered Bank Ghana Limited, 87, Independence Avenue, Post Office Box 678, Accra, Ghana			
Standard Chartered Wealth Management Limited Company	Ghana	GHS Ordinary shares	100
The following company has the address of 18/F., Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong			
Horsford Nominees Limited	Hong Kong	HKD Ordinary shares	100
The following companies have the address of 14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.			
Kozagi Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered PF Real Estate (Hong Kong) Limited	Hong Kong	$ Ordinary shares	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 15/F., Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong			
Marina Acacia Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Amethyst Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Angelite Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Beryl Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Emerald Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Flax Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Gloxinia Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Hazel Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Ilex Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Iridot Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Leasing Limited	Hong Kong	$ Ordinary shares	100
Marina Mimosa Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Moonstone Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Peridot Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Sapphire Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Tourmaline Shipping Limited	Hong Kong	$ Ordinary shares	100
Standard Chartered Leasing Group Limited	Hong Kong	$ Ordinary shares	100
Standard Chartered Trade Support (HK) Limited	Hong Kong	HKD Ordinary shares	100
The following companies have the address of 13/F Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong			
Standard Chartered Private Equity Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered Private Equity Managers (Hong Kong) Limited	Hong Kong	HKD Ordinary shares	100
The following company has the address of 13/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong			
Standard Chartered Trust (Hong Kong) Limited	Hong Kong	HKD Ordinary shares	100
The following company has the address of 15/F, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong			
Standard Chartered Securities (Hong Kong) Limited	Hong Kong	HKD Ordinary shares	100
The following company has the address of 21/F, Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong			
Standard Chartered Asia Limited	Hong Kong	HKD Deferred shares	100
		HKD Ordinary shares	100
		$ Ordinary shares	100
The following companies have the address of 32/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong			
Standard Chartered Bank (Hong Kong) Limited	Hong Kong	HKD A Ordinary shares	100
		HKD B Ordinary shares	100
		$ D Ordinary shares	100
		$ C Ordinary shares	100
Mox Bank Limited	Hong Kong	HKD Ordinary shares	65.1

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 31/F, Tower 2 Times Square, 1 Matheson St, Causeway Bay, Hong Kong			
Assembly Payments HK Limited	Hong Kong	HKD Ordinary Shares	100
The following company has the address of Suites 1103-4 AXA Tower, Landmark East, 100 How Ming Street, Kwun Tong, Hong Kong			
Currencyfair Asia Limited	Hong Kong	HKD Ordinary shares	100
The following company has the address of 1st Floor, Europe Building, No.1, Haddows Road, Nungambakkam, Chennai, 600 006, India			
Standard Chartered Global Business Services Private Limited	India	INR10.00 Equity shares	100
The following company has the address of 90 M.G.Road, II Floor, Fort, Mumbai, Maharashtra, 400 001, India			
Standard Chartered Finance Private Limited	India	INR10.00 Ordinary shares	98.68
The following company has the address of Ground Floor, Crescenzo Building, G Block, C 38/39, Bandra Kurla Complex, Bandra (East), Mumbai, Mumbai, Maharashtra, 400051, India			
Standard Chartered Private Equity Advisory (India) Private Limited	India	INR1,000.00 Ordinary shares	99.996
The following company has the address of Second Floor, Indiqube Edge, Khata No. 571/630/6/4, Sy.No.6/4, Ambalipura Village, Varthur Hobli, Marathahalli Sub-Division, Ward No. 150, Bengaluru, 560102, India.			
Standard Chartered Research and Technology India Private Limited	India	INR10.00 A Equity shares	100
		INR10.00 Preference shares	100
The following company has the address of Crescenzo, 6th Floor, Plot No 38-39 G Block , Bandra Kurla Complex, Bandra East, Mumbai , Maharashtra , 400051, India			
Standard Chartered Capital Limited	India	INR10.00 Equity shares	100
The following company has the address of 2nd Floor, 23-25 M.G. Road, Fort, Mumbai, 400 001, India			
Standard Chartered Securities (India) Limited	India	INR10.00 Equity shares	100
The following company has the address of Ground Floor, Crescenzo Building, G Block, C 38/39, Bandra Kurla Complex, Bandra (East), Mumbai, Mumbai, Maharashtra, 400051, India			
St Helen's Nominees India Private Limited	India	INR10.00 Equity shares	100
The following company has the address of Vaishnavi Serenity, First Floor, No. 112, Koramangala Industrial Area, 5th Block, Koramangala, Bangalore, Karnataka, 560095, India			
Standard Chartered (India) Modeling and Analytics Centre Private Limited	India	INR10.00 Equity shares	100
The following companies have the address of 91 Pembroke Road, Dublin 4, Ballsbridge, Dublin, DO4 EC42, Ireland			
CurrencyFair (Canada) Limited	Ireland	€1.00 Ordinary	100
CurrencyFair Nominees Limited	Ireland	€1.00 Ordinary	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 32 Molesworth Street, Dublin 2, D02Y512, Ireland			
Inishbrophy Leasing Limited	Ireland	€1.00 Ordinary shares	100
Inishcannon Leasing Limited	Ireland	$1.00 Ordinary shares	100
Inishcrean Leasing Limited	Ireland	$1.00 Ordinary shares	100
Inishdawson Leasing Limited	Ireland	€1.00 Ordinary shares	100
Inisherkin Leasing Limited	Ireland	$1.00 Ordinary shares	100
Inishoo Leasing Limited	Ireland	$1.00 Ordinary shares	100
Nightjar Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 1 Limited	Ireland	€1.00 Ordinary shares	100
Pembroke Aircraft Leasing 2 Limited	Ireland	€1.00 Ordinary shares	100
Pembroke Aircraft Leasing 3 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 4 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 5 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 6 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 7 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 8 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 9 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 10 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 11 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 12 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 13 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 14 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 15 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 16 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing Holdings Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Capital Limited	Ireland	€1.25 Ordinary shares	100
		$1.00 Ordinary shares	100
Skua Limited	Ireland	$1.00 Ordinary shares	100
The following companies have the address of TMF, 3rd Floor, Kilmore House, Park Lane, Spencer Dock , Dublin 1, Ireland			
Zodia Custody (Ireland) Limited	Ireland	$1.00 Ordinary shares	100
Zodia Markets (Ireland) Limited	Ireland	$1.00 Ordinary shares	100
The following company has the address of 91 Pembroke Road, Dublin 4, Ballsbridge, Dublin, DO4 EC42, Ireland			
CurrencyFair Limited	Ireland	€0.001 A Ordinary shares	100
		€0.001 Ordinary shares	27.952
The following company has the address of First Names House, Victoria Road, Douglas, IM2 4DF, Isle of Man			
Pembroke Group Limited[5]	Isle of Man	$0.01 Ordinary shares	100
The following companies have the address of 1st Floor, Goldie House, 1-4 Goldie Terrace, Upper Church Street, Douglas, IM1 1EB, Isle of Man			
Standard Chartered Assurance Limited	Isle of Man	$1.00 Ordinary shares	100
		$1.00 Redeemable Preference shares	100
Standard Chartered Insurance Limited[5]	Isle of Man	$1.00 Ordinary shares	100

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40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 21/F, Sanno Park Tower, 2-11-1 Nagatacho, Chiyoda-ku, Tokyo, 100-6155, Japan			
Standard Chartered Securities (Japan) Limited	Japan	JPY50,000 Ordinary shares	100
The following company has the address of 15 Castle Street, St Helier, JE4 8PT, Jersey			
SCB Nominees (CI) Limited	Jersey	$1.00 Ordinary shares	100
The following company has the address of IFC 5, St Helier, JE1 1ST, Jersey			
Standard Chartered Funding (Jersey) Limited[6]	Jersey	£1.00 Ordinary shares	100
The following companies have the address of StandardChartered@Chiromo, Number 48, Westlands Road, P. O. Box 30003 – 00100, Nairobi, Kenya			
Standard Chartered Bancassurance Intermediary Limited	Kenya	KES100.00 Ordinary shares	100
Standard Chartered Investment Services Limited	Kenya	KES20.00 Ordinary shares	100
Standard Chartered Bank Kenya Limited	Kenya	KES5.00 Ordinary shares	74.32
		KES5.00 Preference shares	100
Standard Chartered Securities (Kenya) Limited	Kenya	KES10.00 Ordinary shares	100
Standard Chartered Financial Services Limited	Kenya	KES20.00 Ordinary shares	100
Standard Chartered Kenya Nominees Limited	Kenya	KES20.00 Ordinary shares	100
The following company has the address of 47 Jongno, Jongno-gu, Seoul, 110-702, Republic of Korea			
Standard Chartered Bank Korea Limited	Korea, Republic of	KRW5,000.00 Ordinary shares	100
The following company has the address of 2F, 47 Jongno, Jongno-gu, Seoul, 110-702, Republic of Korea			
Standard Chartered Securities Korea Co. Ltd	Korea, Republic of	KRW5,000.00 Ordinary shares	100
The following company has the address of Atrium Building, Maarad Street, 3rd Floor, P.O.Box: 11-4081 Riad El Solh, Beirut, Beirut Central District, Lebanon			
Standard Chartered Metropolitan Holdings SAL	Lebanon	$10.00 Ordinary A shares	100
The following companies have the address of Level 26, Equatorial Plaza, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia			
Cartaban (Malaya) Nominees Sdn Berhad	Malaysia	RM Ordinary shares	100
Cartaban Nominees (Asing) Sdn Bhd	Malaysia	RM Ordinary shares	100
Cartaban Nominees (Tempatan) Sdn Bhd	Malaysia	RM Ordinary shares	100
Golden Maestro Sdn Bhd	Malaysia	RM Ordinary shares	100
Price Solutions Sdn Bhd	Malaysia	RM Ordinary shares	100
SCBMB Trustee Berhad	Malaysia	RM Ordinary shares	100
Standard Chartered Bank Malaysia Berhad	Malaysia	RM Irredeemable Convertible Preference shares	100
		RM Ordinary shares	100
Standard Chartered Saadiq Berhad	Malaysia	RM Ordinary shares	100
The following companies have the address of TMF Trust Labuan Limited, Brumby Centre, Lot 42, Jalan Muhibbah, 87000 Labuan F.T., Malaysia			
Marina Morganite Shipping Limited[7]	Malaysia	$ Ordinary shares	100
Marina Moss Shipping Limited[7]	Malaysia	$ Ordinary shares	100
Marina Tanzanite Shipping Limited[7]	Malaysia	$ Ordinary shares	100
Pembroke Leasing (Labuan) 3 Berhad	Malaysia	$ Ordinary shares	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Suite 18-1, Level 18, Vertical Corporate Tower B, Avenue 10, The Vertical, Bangsar South City, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia			
Resolution Alliance Sdn Bhd	Malaysia	RM Ordinary shares	91
		RM Irredeemable Preference shares	100
The following company has the address of Level 1, Wisma Standard Chartered, Jalan Teknologi 8, Taman Teknologi Malaysia, 57000 Bukit Jalil, Kuala Lumpur, Wilayah Persekutuan, Malaysia			
Standard Chartered Global Business Services Sdn Bhd	Malaysia	RM Ordinary shares	100
The following company has the address of 10th Floor, Menara Hap Seng, No. 1&3, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia			
Assembly Payments Malaysia Sdn. Bhd.	Malaysia	RM Ordinary shares	100
The following companies have the address of Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands			
Marina Alysse Shipping Limited[7]	Marshall Islands	$1.00 Ordinary shares	100
Marina Amandier Shipping Limited[7]	Marshall Islands	$1.00 Ordinary shares	100
Marina Ambroisee Shipping Limited[7]	Marshall Islands	$1.00 Ordinary shares	100
Marina Angelica Shipping Limited[7]	Marshall Islands	$1.00 Ordinary shares	100
Marina Aventurine Shipping Limited[7]	Marshall Islands	$1.00 Ordinary shares	100
Marina Buxus Shipping Limited[7]	Marshall Islands	$1.00 Ordinary shares	100
Marina Citrine Shipping Limited[7]	Marshall Islands	$1.00 Ordinary shares	100
Marina Dahlia Shipping Limited[7]	Marshall Islands	$1.00 Ordinary shares	100
Marina Dittany Shipping Limited[7]	Marshall Islands	$1.00 Ordinary shares	100
Marina Dorado Shipping Limited[7]	Marshall Islands	$1.00 Ordinary shares	100
Marina Lilac Shipping Limited[7]	Marshall Islands	$1.00 Ordinary shares	100
Marina Lolite Shipping Limited[7]	Marshall Islands	$1.00 Ordinary shares	100
Marina Obsidian Shipping Limited[7]	Marshall Islands	$1.00 Ordinary shares	100
Marina Protea Shipping Limited[7]	Marshall Islands	$1.00 Ordinary shares	100
Marina Quartz Shipping Limited[7]	Marshall Islands	$1.00 Ordinary shares	100
Marina Remora Shipping Limited[7]	Marshall Islands	$1.00 Ordinary shares	100
Marina Turquoise Shipping Limited[7]	Marshall Islands	$1.00 Ordinary shares	100
Marina Zircon Shipping Limited[7]	Marshall Islands	$1.00 Ordinary shares	100
The following company has the address of 6/F, Standard Chartered Tower, 19, Bank Street, Cybercity, Ebene, 72201, Mauritius			
Standard Chartered Bank (Mauritius) Limited	Mauritius	$ Ordinary shares	100
The following companies have the address of c/o Ocorian Corporate Services (Mauritius) Ltd, 6th Floor, Tower A, 1 Cybercity, Ebene, 72201, Mauritius			
Standard Chartered Financial Holdings	Mauritius	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) Limited	Mauritius	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) II Limited	Mauritius	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) III Limited	Mauritius	$1.00 Ordinary shares	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Mondial Management Services Ltd, Unit 2L, 2nd Floor Standard Chartered Tower, 19 Cybercity, Ebene, Mauritius			
Subcontinental Equities Limited	Mauritius	$1.00 Ordinary shares	100
The following company has the address of SGG Corporate Services (Mauritius) Ltd, 33, Edith Cavell Street, Port Louis, 11324, Mauritius			
Actis Treit Holdings (Mauritius) Limited[1]	Mauritius	Class A $1.00 Ordinary shares	62.001
		Class B $1.00 Ordinary shares	62.001
The following company has the address of Standard Chartered Bank Nepal Limited, Madan Bhandari Marg, Ward No.34, Kathmandu Metropolitan City, Kathmandu District, Bagmati Zone, Kathmandu, Nepal			
Standard Chartered Bank Nepal Limited	Nepal	NPR100.00 Ordinary shares	70.21
The following company has the address of Hoogoorddreef 15, 1101 BA, Amsterdam, Netherlands			
Pembroke Holland B.V.	Netherlands	€450.00 Ordinary shares	100
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom			
Standard Chartered Holdings (Africa) B.V.[6]	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings (Asia Pacific) B.V.[6]	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings (International) B.V.[6]	Netherlands	€4.50 Ordinary shares	100
Standard Chartered MB Holdings B.V.[6]	Netherlands	€4.50 Ordinary shares	100
The following company has the address of 4 All good Place, Rototuna North, Hamilton, New Zealand, 3210			
PromisePay Limited	New Zealand	NZD Ordinary shares	100
The following companies have the address of 142, Ahmadu Bello Way, Victoria Island, Lagos, 101241, Nigeria			
Cherroots Nigeria Limited	Nigeria	NGN1.00 Ordinary Shares	100
Standard Chartered Bank Nigeria Limited	Nigeria	NGN1.00 Irredeemable Non Cumulative Preference shares	100
		NGN1.00 Ordinary shares	100
		NGN1.00 Redeemable Preference shares	100
Standard Chartered Capital & Advisory Nigeria Limited	Nigeria	NGN1.00 Ordinary shares	100
Standard Chartered Nominees (Nigeria) Limited	Nigeria	NGN1.00 Ordinary shares	100
The following company has the address of 3/F Main SCB Building, I.I Chundrigar Road, Karachi, Sindh, 74000, Pakistan			
Price Solution Pakistan (Private) Limited	Pakistan	PKR10.00 Ordinary shares	100
The following company has the address of P.O. Box No. 5556I.I. Chundrigar Road, Karachi, 74000, Pakistan			
Standard Chartered Bank (Pakistan) Limited	Pakistan	PKR10.00 Ordinary shares	98.99
The following company has the address of Rondo Ignacego Daszyńskiego 2B, 00-843, Warsaw, Poland			
Standard Chartered Global Business Services spółka z ograniczoną odpowiedzialnością	Poland	PLN50.00 Ordinary shares	100
The following company has the address of Vistra Corporate Services Centre, Ground Floor, NPF Building, Beach Road, Apia, Samoa			
Standard Chartered Nominees (Western Samoa) Limited	Samoa	$1.00 Ordinary shares	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Al Faisaliah Office Tower Floor No 7 (T07D), King Fahad Highway, Olaya District, Riyadh P.O box 295522, Riyadh, 11351, Saudi Arabia			
Standard Chartered Capital (Saudi Arabia)	Saudi Arabia	SAR10.00 Ordinary shares	100
The following company has the address of 9 & 11, Lightfoot Boston Street, Freetown, Sierra Leone			
Standard Chartered Bank Sierra Leone Limited	Sierra Leone	SLL1.00 Ordinary shares	80.7
The following companies have the address of 9 Raffles Place, #27-00 Republic Plaza, 048619, Singapore			
Actis Treit Holdings No.1 (Singapore) Private Limited[1]	Singapore	SGD Ordinary	100
Actis Treit Holdings No.2 (Singapore) Private Limited[1]	Singapore	SGD Ordinary	100
The following companies have the address of 8 Marina Boulevard, Marina Bay Financial Centre Tower 1, Level 25-01, 018981, Singapore			
Standard Chartered Private Equity (Singapore) Pte. Ltd	Singapore	$ Ordinary shares	100
Standard Chartered Real Estate Investment Holdings (Singapore) Private Limited	Singapore	$ Ordinary shares	100
The following companies have the address of 8 Marina Boulevard, Level 26, Marina Bay Financial Centre, Tower 1, 018981, Singapore			
Marina Aquata Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Aruana Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Cobia Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Fatmarini Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Frabandari Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Gerbera Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Opah Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
		$ Ordinary shares	100
Marina Partawati Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Raffles Nominees (Pte.) Limited	Singapore	SGD Ordinary shares	100
The following companies have the address of 8 Marina Boulevard, #27-01 Marina Bay Financial Centre Tower 1, 018981, Singapore			
SCTS Capital Pte. Ltd	Singapore	SGD Ordinary shares	100
SCTS Management Pte. Ltd.	Singapore	SGD Ordinary shares	100
Standard Chartered Bank (Singapore) Limited	Singapore	SGD Ordinary shares	100
		SGD Non-cumulative Preference shares	100
		SGD Non-cumulative Class C Preference shares	100
		$ Ordinary shares	100
		$ Preference shares	100
Standard Chartered Trust (Singapore) Limited	Singapore	SGD Ordinary shares	100
Standard Chartered Holdings (Singapore) Private Limited	Singapore	SGD Ordinary shares	100
		$ Ordinary shares	100
Standard Chartered Nominees (Singapore) Pte Ltd	Singapore	SGD Ordinary shares	100

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40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 80 Robinson Road, #02-00, 068898, Singapore			
Autumn Life Pte. Ltd.	Singapore	$ Ordinary shares	100
Cardspal Pte. Ltd.	Singapore	$ Ordinary shares	100
Nexco Pte. Ltd.	Singapore	$ Ordinary shares	100
Discovery Technology Services Pte. Ltd.	Singapore	$ Ordinary shares	100
SCV Research and Development Pte. Ltd.	Singapore	$ Ordinary shares	100
Power2SME Pte. Ltd.	Singapore	$ Ordinary shares	100
SCV Master Holding Company Pte. Ltd.	Singapore	$ Ordinary shares	100
Pegasus Dealmaking Pte. Ltd.	Singapore	$ Ordinary shares	100
Solv-India Pte. Ltd.	Singapore	$ Ordinary shares	100
The following companies have the address of 140 Robinson Road, #17-01, Crown At Robinson, 068907, Singapore			
Trust Bank Singapore Limited	Singapore	SGD Ordinary shares	60
CurrencyFair (Singapore) Pte.Ltd	Singapore	SGD Ordinary shares	100
The following companies have the address of 38 Beach Road, #29-11 South Beach Tower, 189767, Singapore			
Assembly Payments SGP Pte. Ltd.	Singapore	SGD Ordinary shares	100
Assembly Payments Pte. Ltd.	Singapore	$ Ordinary shares	100
		$ Preference shares	100
The following company has the address of Abogado Pte Ltd, No. 8 Marina Boulevard, #05-02 MBFC Tower 1, 018981, Singapore			
Standard Chartered IL&FS Management (Singapore) Pte. Limited	Singapore	$ Ordinary	50
The following companies have the address of 2nd Floor, 115 West Street, Sandton, Johannesburg, 2196, South Africa			
CMB Nominees (RF) PTY Limited	South Africa	ZAR1.00 Ordinary shares	100
Standard Chartered Nominees South Africa Proprietary Limited (RF)	South Africa	ZAR Ordinary shares	100
The following company has the address of 6 Fort Street, PO 785848, Birnam, Sandton, 2196 2146, South Africa			
Promisepay (PTY) Ltd	South Africa	ZAR1.00 Ordinary	100
The following company has the address of 1F, No.177 & 3F-6F, 17F-19F, No.179, Liaoning Street, Zhongshan Dist., Taipei, 104, Taiwan			
Standard Chartered Bank (Taiwan) Limited	Taiwan	TWD10.00 Ordinary shares	100
The following companies have the address of 1 Floor, International House, Shaaban Robert Street/Garden Avenue, PO Box 9011, Dar Es Salaam, Tanzania, United Republic of			
Standard Chartered Bank Tanzania Limited	Tanzania, United Republic of	TZS1,000.00 Ordinary shares	100
		TZS1,000.00 Preference shares	100
Standard Chartered Tanzania Nominees Limited	Tanzania, United Republic of	TZS1,000.00 Ordinary shares	100
The following company has the address of 100 North Sathorn Road, Silom, Bangrak Bangkok , 10500, Thailand			
Standard Chartered Bank (Thai) Public Company Limited	Thailand	THB10.00 Ordinary shares	99.90
The following company has the address of Buyukdere Cad. Yapi Kredi Plaza C Blok, Kat 15, Levent, Istanbul, 34330, Turkey			
Standard Chartered Yatirim Bankasi Turk Anonim Sirketi	Turkey	TRL0.10 Ordinary shares	100
The following company has the address of Standard Chartered Bank Bldg, 5 Speke Road, PO Box 7111, Kampala, Uganda			

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
Standard Chartered Bank Uganda Limited	Uganda	UGS1,000.00 Ordinary shares	100
The following company has the address of 251 Little Falls Drive, Wilmington DE 19808, United States			
CurrencyFair (USA) Inc.	United States	US$1.00 Uncertificated Shares	100
The following company has the address of 505 Howard St. #201, San Francisco, CA 94105, United States			
SC Studios, LLC	United States	Membership Interest	100
The following company has the address of Standard Chartered Bank, 37F, 1095 Avenue of the Americas, New York 10036, United States			
Standard Chartered Bank International (Americas) Limited	United States	$1,000.00 Ordinary shares	100
The following companies have the address of Corporation Trust Centre, 1209 Orange Street, Wilmington DE 19801, United States			
Standard Chartered Holdings Inc.	United States	$100.00 Common shares	100
Standard Chartered Securities (North America) LLC	United States	Membership Interest	100
The following company has the address of 50 Fremont Street, San Francisco CA 94105, United States			
Standard Chartered Overseas Investment, Inc.	United States	$10.00 Ordinary shares	100
The following company has the address of C/O Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States			
Standard Chartered Trade Services Corporation	United States	$0.01 Common shares	100
The following company has the address of 25 Taylor St, San Francisco, CA, 94102-3916			
Assembly Escrow Inc	United States	$0.0001 Ordinary	100
The following company has the address of 555 Washington Av, St Louis, MO, United States of America, 63101			
Assembly Payments, Inc	United States	$0.0001 Ordinary	100
The following company has the address of Room 1810-1815, Level 18, Building 72, Keangnam Hanoi Landmark Tower, Pham Hung Road, Cau Giay New Urban Area, Me Tri Ward, Nam Tu Liem District, Hanoi10000, Vietnam			
Standard Chartered Bank (Vietnam) Limited	Vietnam	VND Charter Capital shares	100
The following companies have the address of Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, Virgin Islands, British			
Sky Favour Investments Limited[7]	Virgin Islands, British	$1.00 Ordinary shares	100
Sky Harmony Holdings Limited[7]	Virgin Islands, British	$1.00 Ordinary shares	100
The following companies have the address of Stand No. 4642, Corner of Mwaimwena Road and Addis Ababa Dri, Lusaka, Zambia, 10101, Zambia			
Standard Chartered Bank Zambia Plc	Zambia	ZMW0.25 Ordinary shares	90
Standard Chartered Zambia Securities Services Nominees Limited	Zambia	ZMW1.00 Ordinary shares	100
The following companies have the address of Africa Unity Square Building, 68 Nelson Mandela Avenue, Harare, Zimbabwe			
Africa Enterprise Network Trust[2]	Zimbabwe	Interest in Trust	100
Standard Chartered Bank Zimbabwe Limited	Zimbabwe	$1.00 Ordinary shares	100
Standard Chartered Nominees Zimbabwe (Private) Limited	Zimbabwe	$2.00 Ordinary shares	100

1 The Group has determined that these undertakings are excluded from being consolidated into the Groups accounts, and do not meet the definition of a Subsidiary under IFRS. See notes 31 and 32 for the consolidation policy and disclosure of the undertaking.

2 No share capital by virtue of being a trust

3 Limited liability company

4 The Group has determined the principal place of operation to be Singapore

5 The Group has determined the principal place of operation to be Ireland

6 The Group has determined the principal place of operation to be United Kingdom

7. The Group has determined the principal place of operation to be Hong Kong

Financial statements

40. Related undertakings of the Group continued

Joint ventures

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Tricor WP Corporate Services Pte Ltd, 80 Robinson Road #02-00, 068898, Singapore			
Olea Global Pte. Ltd.	Singapore	$ Ordinary shares	50
		$ Preference shares	100

Associates

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Work.Life , 33 Foley Street , London, W1W 7TL, United Kingdom			
Fintech for International Development Ltd	United Kingdom	$0.0001 Ordinary-A	58.901
The following company has the address of 3 More London Riverside,London, England, SE1 2AQ, United Kingdom			
Trade Information Network Limited	United Kingdom	$1.00 Ordinary shares	16.667
The following company has the address of Bohai Bank Building, No.218 Hai He Dong Lu, Hedong District, Tianjin, China, 300012, China			
China Bohai Bank Co., Ltd.	China	CNY Ordinary shares	16.263
The following company has the address of 17/F, 100, Gongpyeong-dong, Jongno-gu, Seoul, Korea, Republic of			
Ascenta IV	Korea, Republic of	KRW1.00 Partnership Interest	39.1
The following company has the address of 1 Raffles Quay, #23-01, One Raffles Quay, 048583, Singapore			
Clifford Capital Holdings Pte. Ltd.	Singapore	$1.00 Ordinary shares	9.9
The following company has the address of 10 Marina Boulevard #08-08, Marina Bay, Financial Centre, 018983, Singapore			
Verified Impact Exchange Holdings Pte. Ltd	Singapore	$ Ordinary shares	15
		$ Redeemable Convertible Preference shares	28.571
The following company has the address of Victoria House, State House Avenue, Victoria, MAHE, Seychelles			
Seychelles International Mercantile Banking Corporation Limited.	Seychelles	SCR1,000.00 Ordinary shares	22
The following company has the address of Avenue de Tivoli 2, 1007, Lausanne, Switzerland			
Metaco SA	Switzerland	CHF 0.01 Preference A Shares	29.505

40. Related undertakings of the Group continued

Significant investment holdings and other related undertakings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 1 Bartholomew Lane, London, EC2N 2AX, United Kingdom			
Corrasi Covered Bonds (LM) Limited	United Kingdom	£1.00 Ordinary	20
The following company has the address of Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands			
ATSC Cayman Holdco Limited	Cayman Islands	$0.01 Ordinary-A shares	5.272
		$0.01 Ordinary-B shares	100
The following company has the address of 3, Floor 1, No.1, Shiner Wuxingcaiyuan, West Er Huan Rd, Xi Shan District, Kunming, Yunnan Province, PRC, China			
Yunnan Golden Shiner Property Development Co., Ltd.	China	CNY1.00 Ordinary shares	42.5
The following companies have the address of Unit 605-08, 6/F Wing On Centre, 111 Connaught Road, Central, Sheung Wan, Hong Kong			
Actis Carrock Holdings (HK) Limited	Hong Kong	$ Class A Ordinary shares	39.689
		$ Class B Ordinary shares	39.689
Actis Temple Stay Holdings (HK) Limited	Hong Kong	$ Class A Ordinary shares	39.689
		$ Class B Ordinary shares	39.689
Actis Jack Holdings (HK) Limited	Hong Kong	$ Class A Ordinary shares	39.689
		$ Class B Ordinary shares	39.689
Actis Rivendell Holdings (HK) Limited	Hong Kong	$ Class A Ordinary shares	39.689
		$ Class B Ordinary shares	39.689
Actis Young City Holdings (HK) Limited	Hong Kong	$ Class A Ordinary shares	39.689
		$ Class B Ordinary shares	39.689
The following company has the address of 1221 A, Devika Tower, 12th Floor, 6 Nehru Place, New Delhi 110019, New Delhi, 110019, India			
Mikado Realtors Private Limited	India	INR10.00 Ordinary shares	26
The following company has the address of 4th Floor, 274, Chitalia House, Dr. Cawasji Hormusji Road, Dhobi Talao, Mumbai City, Maharashtra, India 400 002, Mumbai, 400 002, India			
Industrial Minerals and Chemical Co. Pvt. Ltd	India	INR100.00 Ordinary shares	26
The following company has the address of 17F, 100, Gongpyeong-dong, Jongno-gu, Seoul, Korea, Republic of Korea			
Ascenta III	Korea	KRW Class B Equity Interest	31
The following company has the address of 3 Jalan Pisang, c/o Watiga Trust Ltd, 199070 Singapore			
SCIAIGF Liquidating Trust[1]	Singapore	Interest in trust	43.96
The following company has the address of 49, Sungei Kadut Avenue, #03-01 S729673, Singapore			
Omni Centre Pte. Ltd.	Singapore	SGD Redeemable Convertible Preference shares	99.998
The following company has the address of 251 Little Falls Drive, Wilmington, New Castle DE 19808, United States			
Paxata, Inc.	United States	US$0.0001 Series C2 Preferred Stock	40.741
		US$0.0001 Series C2 Preferred Stock	10.11%

Financial statements

40. Related undertakings of the Group continued

In liquidation

Subsidiary Undertakings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of C/O Teneo Restructuring Limited 156 Great Charles Street Queensway Birmingham West Midlands B3 3HN			
Compass Estates Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Masterbrand Licensing Limited	United Kingdom	$1.00 Ordinary Shares	100
The following companies have the address of Bucktrout House, Glategny Esplanade, St Peter Port, GY1 3HQ, Guernsey			
Birdsong Limited	Guernsey	£1.00 Ordinary shares	100
Nominees One Limited	Guernsey	£1.00 Ordinary shares	100
Nominees Two Limited	Guernsey	£1.00 Ordinary shares	100
Songbird Limited	Guernsey	£1.00 Ordinary shares	100
Standard Chartered Secretaries (Guernsey) Limited	Guernsey	£1.00 Ordinary shares	100
Standard Chartered Trust (Guernsey) Limited	Guernsey	£1.00 Ordinary shares	100
The following company has the address of 8/Floor, Gloucester Tower , The Landmark, 15 Queen's Road Central, Hong Kong			
Leopard Hong Kong Limited	Hong Kong	$ Ordinary shares	100
The following company has the address of 32 Molesworth Street, Dublin 2, D02Y512, Ireland			
Inishlynch Leasing Limited	Ireland	€1.00 Ordinary shares	100
The following company has the address of Menara Standard Chartered, 3rd Floor, Jl. Prof.Dr. Satrio no. 164, Setiabudi, Jarkarta Selatan, Indonesia			
PT Solusi Cakra Indonesia (dalam likuidasi)	Indonesia	IDR23,809,600.00 Ordinary shares	99
The following company has the address of No. 157 – 157 A, Jakarta Barat, 11130, Indonesia.			
PT. Price Solutions Indonesia (dalam likuidasi)	Indonesia	$100.00 Ordinary shares	100
The following company has the address of Standard Chartered@ Chiromo, Number 48, Westlands Road, P. O. Box 30003 – 00100, Nairobi, Kenya			
Standard Chartered Management Services Limited	Kenya	KES20.00 Ordinary shares	100
The following company has the address of 30 Rue Schrobilgen, 2526, Luxembourg			
Standard Chartered Financial Services (Luxembourg) S.A.	Luxembourg	€25.00 Ordinary shares	100
The following company has the address of Level 26, Equatorial Plaza, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia			
Popular Ambience Sdn Bhd	Malaysia	RM Ordinary shares	100
The following company has the address of C/o IQ EQ Corporate Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, 11324, Mauritius			
FAI Limited	Mauritius	US$1.00 Ordinary shares	76.598
The following company has the address of Jiron Huascar 2055, Jesus Maria, Lima 15072, Peru			
Banco Standard Chartered en Liquidacion	Peru	$75.133 Ordinary shares	100
The following company has the address of 8 Marina Boulevard, Level 27, Marina Bay Financial Centre, Tower 1, 018981, Singapore			
Standard Chartered (2000) Limited	Singapore	SGD1.00 Ordinary shares	100
The following company has the address of Luis Alberto de Herrera 1248, Torre II, Piso 11, Esc. 1111, Uruguay			
Standard Chartered Uruguay Representacion S.A.	Uruguay	UYU1.00 Ordinary shares	100

1 The Group has determined the prinicpal place of operation to be Singapore

40. Related undertakings of the Group continued

Significant investment holdings and other related undertakings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor, Malaysia			
House Network SDN BHD	Malaysia	RM1.00 Ordinary shares	25

Liquidated/dissolved/sold

Subsidiary Undertakings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
SC Leaseco Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered APR Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Finance (Brunei) Bhd	Brunei Darussalam	BND1.00 Ordinary shares	100
Standard Chartered Principal Finance (Cayman) Limited[1]	Cayman Islands	$0.0001 Ordinary shares	100
Sunflower Cayman SPC	Cayman Islands	$1.00 Management shares	100
Marina Amaryllis Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Ametrine Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Apollo Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Carnelian Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Honor Shipping Limited	Hong Kong	HKD Ordinary shares	100
		$ Ordinary shares	100
Marina Kunzite Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Splendor Shipping Limited	Hong Kong	HKD Ordinary shares	100
		$ Ordinary shares	100
Ori Private Limited	Hong Kong	$ Ordinary shares	100
		$ A Ordinary shares	90.7
S C Learning Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered Sherwood (HK) Limited	Hong Kong	HKD Ordinary shares	100
Resolution Alliance Korea Ltd[2]	Korea, Republic of	KRW5,000.00 Ordinary shares	100
Pembroke Leasing (Labuan) 2 Berhad	Malaysia	$ Ordinary shares	100
Pembroke Leasing (Labuan) Pte Limited	Malaysia	$ Ordinary shares	100
Marina Pissenlet Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Actis Asia Real Estate (Mauritius) Limited	Mauritius	Class A $1.00 Ordinary shares	100
		Class B $1.00 Ordinary shares	100
Kwang Hua Mocatta Company Ltd.	Taiwan	TWD1,000.00 Ordinary shares	97.92
Actis RE Investment 1 Private Limited	Singapore	SGD Ordinary shares	100
Actis RE Investment 2 Private Limited	Singapore	SGD Ordinary shares	100
Actis RE Investment 3 Private Limited	Singapore	SGD Ordinary shares	100
Actis RE Investment 4 Private Limited	Singapore	SGD Ordinary shares	100
Marina Aster Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Poise Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Mars Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Mercury Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Daffodil Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Freesia Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Standard Chartered Capital Management (Jersey), LLC	United States	$ Ordinary shares	100
Standard Chartered International (USA) LLC	United States	Membership Interest	100
StanChart Securities International LLC	United States	Membership Interest	100

1 The Group has determined the prinicpal place of operation to be Singapore

Employee photo competition

This year our photo competition asked our employees to interpret our Stands: Accelerating Zero, Lifting Participation and Resetting Globalisation. Here are the three winners...

For more information on our Stands see pages 24 and 25

Accelerating Zero

by Sing Yi Chai, Singapore

This year's overall winner, is Sing Yi Chai and her take on Accelerating Zero. The photo is taken inside Singapore's famous Tree Tunnel. "My subject had taken some calculated risks and overcome physical challenges to get up there," she says. "Likewise, the journey towards carbon-free is not without its risks and challenges. Look up to our goal and we will get there."

Bamboo Market

by Md Ahidul Hasan, Bangladesh

In second place, is Md Ahidul Hasan, and his interpretation of Accelerating Zero, a shot of bamboo – essential building blocks for many households.

"My photograph shows bamboo being transported to the market through the canals. Bamboo can be a good alternative to more carbon intensive building material for households."

De Lat Market

by Premanand Managaran, Malaysia

In third place is Premanand Managaran. The photo represents the power to build back from COVID-19. "The picture was taken before the pandemic," Premanand explains.

"We are not as free as we were and, as a bank, we aim to empower small businesses to build back stronger."

Supplementary information

Supplementary financial information

Five-year summary[1]

	2021 $million	2020 $million	2019 $million	2018 $million	2017 $million
Operating profit before impairment losses and taxation	**3,777**	4,374	4,484	3,142	4,008
Impairment losses on loans and advances and other credit risk provisions	**(254)**	(2,325)	(908)	(653)	(1,362)
Other impairment	**(372)**	(98)	(136)	(182)	(179)
Profit before taxation	**3,347**	1,613	3,713	2,548	2,415
Profit/(loss) attributable to shareholders	**2,315**	724	2,303	1,054	1,219
Loans and advances to banks[2]	**44,383**	44,347	53,549	61,414	78,188
Loans and advances to customers[2]	**298,468**	281,699	268,523	256,557	282,288
Total assets	**827,818**	789,050	720,398	688,762	663,501
Deposits by banks[2]	**30,041**	30,255	28,562	29,715	30,945
Customer accounts[2]	**474,570**	439,339	405,357	391,013	370,509
Shareholders' equity	**46,011**	45,886	44,835	45,118	46,505
Total capital resources[3]	**69,282**	67,383	66,868	65,353	68,983
Information per ordinary share					
Basic earnings/(loss) per share	**61.3c**	10.4c	57.0c	18.7c	23.5c
Underlying earnings per share	**76.2c**	36.1c	75.7c	61.4c	47.2c
Dividends per share[4]	**–**	–	22.0c	17.0c	–
Net asset value per share	**1,456.4c**	1,409.3c	1,358.3c	1,319.3c	1,366.9c
Net tangible asset value per share	**1,277.0c**	1,249.0c	1,192.5c	1,167.7c	1,214.7c
Return on assets[5]	**0.3%**	0.1%	0.3%	0.3%	0.2%
Ratios					
Statutory return on ordinary shareholders' equity	**4.2%**	0.8%	4.2%	1.4%	1.7%
Statutory return on ordinary shareholders' tangible equity	**4.8%**	0.9%	4.8%	1.6%	2.0%
Underlying return on ordinary shareholders' equity	**5.3%**	2.6%	5.6%	4.6%	3.5%
Underlying return on ordinary shareholders' tangible equity	**6.0%**	3.0%	6.4%	5.1%	3.9%
Statutory cost to income ratio (excluding UK Bank Levy)	**73.6%**	68.1%	68.7%	76.6%	70.7%
Statutory cost to income ratio (including UK Bank Levy)	**74.3%**	70.4%	70.9%	78.8%	72.2%
Underlying cost to income ratio (excluding UK Bank levy)	**69.8%**	66.4%	65.9%	67.7%	69.3%
Underlying cost to income ratio (including UK Bank levy)	**70.5%**	68.7%	68.2%	69.9%	70.8%
Capital ratios:					
CET 1[6]	**14.1%**	14.4%	13.8%	14.2%	13.6%
Total capital[6]	**21.3%**	21.2%	21.2%	21.6%	21.0%

1 The amounts for the financial year ended 2017 are presented in line with IAS 39 and, therefore, not on a comparable basis to the current financial year presented in accordance with IFRS 9

2 Excludes amounts held at fair value through profit or loss

3 Shareholders' funds, non-controlling interests and subordinated loan capital

4 Dividend paid during the year per share

5 Represents profit attributable to shareholders divided by the total assets of the Group

6 Unaudited

Analysis of underlying performance by key market

The following tables provide information for key markets in which the Group operates. The numbers are prepared on a management view. Refer to Note 2 for details.

	2021								
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Operating income	3,440	1,102	1,087	1,608	1,282	213	546	895	818
Operating expenses	(2,008)	(772)	(765)	(1,054)	(744)	(175)	(362)	(721)	(533)
Operating profit before impairment losses and taxation	1,432	330	322	554	538	38	184	174	285
Credit impairment	(251)	(14)	(49)	88	(23)	(3)	58	58	27
Other impairment	–	2	(301)	(1)	1	–	–	96	–
Profit from associates and joint ventures	–	–	175	–	–	–	–	–	–
Underlying profit before taxation	1,181	318	147	641	516	35	242	328	312
Total assets employed	177,460	67,311	37,908	94,881	28,416	4,836	19,224	193,807	68,148
Of which: loans and advances to customers[1]	89,063	45,323	18,014	56,454	14,991	2,257	8,937	52,878	19,375
Total liabilities employed	166,727	58,406	35,637	93,884	20,509	3,769	13,922	149,064	70,648
Of which: customer accounts[1]	141,256	47,867	27,618	75,154	14,730	2,622	11,466	105,490	37,407

	2020								
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Operating income	3,485	1,046	926	1,562	1,245	309	579	946	783
Operating expenses	(1,959)	(723)	(667)	(977)	(680)	(176)	(409)	(673)	(525)
Operating profit before impairment losses and taxation	1,526	323	259	585	565	133	170	273	258
Credit impairment	(199)	(43)	(112)	(474)	(227)	(84)	(277)	(128)	(30)
Other impairment	(55)	3	(1)	–	(1)	–	(3)	9	–
Profit from associates and joint ventures	–	–	163	–	–	–	–	–	–
Underlying profit/(loss) before taxation	1,272	283	309	111	337	49	(110)	154	228
Total assets employed	167,080	69,214	41,827	88,246	28,272	4,968	19,856	174,346	63,330
Of which: loans and advances to customers[1]	78,398	42,636	16,877	53,444	14,258	2,212	10,316	45,803	18,103
Total liabilities employed	160,976	60,329	36,713	83,554	20,728	3,494	14,324	133,862	65,307
Of which: customer accounts[1]	135,487	44,748	26,319	63,303	15,058	2,382	11,720	81,198	36,717

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

Analysis of operating income by product and segment

The following tables provide a breakdown of the Group's underlying operating income by product and client segment.

	2021			
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Central & other items (segment) $million	Total $million
Transaction Banking	2,505	87	–	2,592
Trade	1,102	51	–	1,153
Cash Management	1,403	36	–	1,439
Financial Markets	4,921	–	–	4,921
Macro Trading	2,216	–	–	2,216
Credit Markets	1,823	–	–	1,823
Credit Trading	437	–	–	437
Financing Solutions & Issuance	1,386	–	–	1,386
Structured Finance	480	–	–	480
Financing & Securities Services	387	–	–	387
DVA	15	–	–	15
Lending & Portfolio Management	968	40	–	1,008
Wealth Management	1	2,224	–	2,225
Retail Products	1	3,357	–	3,358
Credit Cards & Personal Loans (CCPL) & other unsecured lending	–	1,272	–	1,272
Deposits	1	859	–	860
Mortgage & Auto	–	1,036	–	1,036
Other Retail Products	–	190	–	190
Treasury	–	–	698	698
Other	11	25	(125)	(89)
Total underlying operating income	8,407	5,733	573	14,713

	2020 (Restated)[1]			
	Corporate, Commercial & Institutional Banking[1] $million	Consumer, Private & Business Banking[1] $million	Central & other items (segment) $million	Total $million
Transaction Banking	2,745	93	–	2,838
Trade	951	43	–	994
Cash Management	1,794	50	–	1,844
Financial Markets	4,912	–	–	4,912
Macro Trading	2,532	–	–	2,532
Credit Markets	1,621	–	–	1,621
Credit Trading	404	–	–	404
Financing Solutions & Issuance	1,217	–	–	1,217
Structured Finance	382	–	–	382
Financing & Securities Services	364	–	–	364
DVA	13	–	–	13
Lending & Portfolio Management	846	38	–	884
Wealth Management	1	1,989	–	1,990
Retail Products	1	3,565	–	3,566
Credit Cards & Personal Loans (CCPL) & other unsecured lending	–	1,211	–	1,211
Deposits	1	1,456	–	1,457
Mortgage & Auto	–	750	–	750
Other Retail Products	–	148	–	148
Treasury	–	–	635	635
Other	(20)	6	(46)	(60)
Total underlying operating income	8,485	5,691	589	14,765

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

Average balance sheets and yields and volume and price variances

Average balance sheets and yields

For the purposes of calculating net interest margin the following adjustments are made:

- Statutory net interest income is adjusted to remove interest expense on amortised cost liabilities used to provide funding to the Financial Markets business
- Financial instruments measured at fair value through profit or loss are classified as non-interest earning
- Premiums on financial guarantees purchased to manage interest earning assets are treated as interest expense

In the Group's view this results in a net interest margin that is more reflective of banking book performance.

The following tables set out the average balances and yields for the Group's assets and liabilities for the periods ended 31 December 2021 and 31 December 2020 under the revised definition of net interest margin. 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

	2021				
	Average non-interest earning balance $million	**Average interest earning balance $million**	**Interest income $million**	**Gross yield interest earning balance %**	**Gross yield total balance %**
Cash and balances at central banks	**23,612**	**55,991**	**92**	**0.16**	**0.12**
Gross loans and advances to banks	**22,335**	**45,953**	**490**	**1.07**	**0.72**
Gross loans and advances to customers	**56,582**	**307,552**	**7,574**	**2.46**	**2.08**
Impairment provisions against loans and advances to banks and customers	**–**	**(6,013)**	**–**	**–**	**–**
Investment securities	**32,250**	**155,925**	**2,090**	**1.34**	**1.11**
Property, plant and equipment and intangible assets	**8,869**	**–**	**–**	**–**	**–**
Prepayments, accrued income and other assets	**111,564**	**–**	**–**	**–**	**–**
Investment associates and joint ventures	**2,330**	**–**	**–**	**–**	**–**
Total average assets	**257,542**	**559,408**	**10,246**	**1.83**	**1.25**

	2020				
	Average non-interest earning balance $million	Average interest earning balance $million	Interest income $million	Gross yield interest earning balance %	Gross yield total balance %
Cash and balances at central banks	18,185	43,210	113	0.26	0.18
Gross loans and advances to banks	27,684	54,142	801	1.48	0.98
Gross loans and advances to customers	51,322	291,432	8,558	2.94	2.50
Impairment provisions against loans and advances to banks and customers	–	(6,526)	–	–	–
Investment securities	28,313	144,112	2,820	1.96	1.64
Property, plant and equipment and intangible assets	9,787	–	–	–	–
Prepayments, accrued income and other assets	116,263	–	–	–	–
Investment associates and joint ventures	2,122	–	–	–	–
Total average assets	253,676	526,370	12,292	2.34	1.58

Average liabilities

	2021				
	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid bearing balance %	Rate paid total balance %
Deposits by banks	**18,486**	**27,402**	**136**	**0.50**	**0.30**
Customer accounts:					
Current accounts and savings deposits	**51,104**	**262,191**	**848**	**0.32**	**0.27**
Time and other deposits	**54,658**	**149,367**	**1,348**	**0.90**	**0.66**
Debt securities in issue	**6,288**	**59,135**	**566**	**0.96**	**0.87**
Accruals, deferred income and other liabilities	**115,477**	**1,149**	**53**	**4.61**	**0.05**
Subordinated liabilities and other borrowed funds	**–**	**16,525**	**497**	**3.01**	**3.01**
Non-controlling interests	**343**	**–**	**–**	**–**	**–**
Shareholders' funds	**51,307**	**–**	**–**	**–**	**–**
	297,663	**515,769**	**3,448**	**0.67**	**0.42**
Adjustment for Financial Markets funding costs			**(97)**		
Financial guarantee fees on interest earning assets			**99**		
Total average liabilities and shareholders' funds	**297,663**	**515,769**	**3,450**	**0.67**	**0.42**

	2020				
	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid bearing balance %	Rate paid total balance %
Deposits by banks	17,899	27,178	237	0.87	0.53
Customer accounts:					
Current accounts and savings deposits	43,729	226,278	1,140	0.50	0.42
Time and other deposits	58,789	154,865	2,531	1.63	1.18
Debt securities in issue	6,883	52,391	836	1.60	1.41
Accruals, deferred income and other liabilities	122,194	1,169	59	5.05	0.05
Subordinated liabilities and other borrowed funds	–	16,170	637	3.94	3.94
Non-controlling interests	319	–	–	–	–
Shareholders' funds	50,377	–	–	–	–
	300,190	478,051	5,440	1.14	0.70
Adjustment for Financial Markets funding costs			(173)		
Financial guarantee fees on interest earning assets			104		
Total average liabilities and shareholders' funds	300,190	478,051	5,371	1.12	0.69

Net interest margin

	2021 $million	2020 $million
Interest income (statutory)	**10,246**	12,292
Average interest earning assets	**559,408**	526,370
Gross yield (%)	**1.83**	2.34
Interest expense (statutory)	**3,448**	5,440
Adjustment for Financial Markets funding costs	**(97)**	(173)
Financial guarantee fees on interest earning assets	**99**	104
Adjusted interest expense used to fund financial instruments held at fair value	**3,450**	5,371
Average interest-bearing liabilities	**515,769**	478,051
Rate paid (%)	**0.67**	1.12
Net yield (%)	**1.16**	1.22
Net interest income adjusted for Financial Markets funding costs and Financial guarantee fees on interest earning assets	**6,796**	6,921
Net interest margin (%)	**1.21**	1.31

Volume and price variances

The following table analyses the estimated change in the Group's net interest income attributable to changes in the average volume of interest-earning assets and interest-bearing liabilities, and changes in their respective interest rates for the years presented. Volume and rate variances have been determined based on movements in average balances and average exchange rates over the year and changes in interest rates on average interest-earning assets and average interest-bearing liabilities.

	2021 versus 2020		
	(Decrease)/increase in interest due to:		Net increase/ (decrease) in interest
	Volume $million	Rate $million	$million
Interest earning assets			
Cash and unrestricted balances at central banks	21	(42)	(21)
Loans and advances to banks	(87)	(224)	(311)
Loans and advances to customers	418	(1,402)	(984)
Investment securities	158	(888)	(730)
Total interest earning assets	510	(2,556)	(2,046)
Interest bearing liabilities			
Subordinated liabilities and other borrowed funds	11	(151)	(140)
Deposits by banks	1	(102)	(101)
Customer accounts:			
Current accounts and savings deposits	123	(420)	(297)
Time and other deposits	(50)	(1,134)	(1,184)
Debt securities in issue	65	(335)	(270)
Total interest bearing liabilities	150	(2,142)	(1,992)

	2020 versus 2019		
	(Decrease)/increase in interest due to:		Net increase/ (decrease) in interest
	Volume $million	Rate $million	$million
Interest earning assets			
Cash and unrestricted balances at central banks	37	(253)	(216)
Loans and advances to banks	(102)	(931)	(1,033)
Loans and advances to customers	442	(2,659)	(2,217)
Investment securities	191	(982)	(791)
Total interest earning assets	568	(4,825)	(4,257)
Interest bearing liabilities			
Subordinated liabilities and other borrowed funds	44	(163)	(119)
Deposits by banks	(4)	(498)	(502)
Customer accounts:			
Current accounts and savings deposits	233	(1,148)	(915)
Time and other deposits	(213)	(1,409)	(1,622)
Debt securities in issue	49	(333)	(284)
Total interest bearing liabilities	109	(3,551)	(3,442)

Supplementary people information

Global[1]	**2021**	2020	% change
Full-time equivalent (FTE)	**81,904**	83,601	(2.0)
Headcount (year end)	**81,957**	83,657	(2.0)
Employed workers (permanent)	**80,605**	82,084	(1.8)
of which female	**36,644**	37,245	(1.6)
Fixed term workers (temporary)	**1,352**	1,573	(14.0)
of which female	**637**	768	(17.1)
Non-employed workers (NEW)	**13,845**	11,632	19.0
Non-outsourced NEW[2]	**6,130**	5,765	6.3
Outsourced NEW[3]	**7,715**	5,867	31.5
Headcount (12-month average)	**82,736**	84,740	(2.4)
Male			
FTE	**44,033**	45,198	(2.6)
Headcount	**44,045**	45,210	(2.6)
Full-time	**44,002**	45,172	(2.6)
Part-time	**43**	38	13.2
Female			
FTE	**37,240**	37,969	(1.9)
Headcount	**37,281**	38,013	(1.9)
Full-time	**37,138**	37,860	(1.9)
Part-time	**143**	153	(6.5)
Undisclosed[4]			
FTE	**631**	434	45.4
Headcount	**631**	434	45.4
Full-time	**630**	433	45.5
Part-time	**1**	1	–
Nationalities	**132**	131	0.8

Position type	**2021**	2020	% change
Executive and non-executive director	**13**	13	–
of which female	**4**	4	–
Management team and their direct reports[5]	**116**	129	(10.1)
of which female	**33**	41	(19.5)
Senior leadership[6]	**4,227**	4,196	0.7
of which female	**1,299**	1,236	5.1
Rest of Employees	**77,730**	79,461	(2.2)
of which female	**35,982**	36,777	(2.2)

Employment type	**2021**	2020	% change
Business FTE	**30,595**	34,883	(12.3)
Business headcount	**30,614**	34,905	(12.3)
Business female headcount	**15,866**	18,016	(11.9)
Support services FTE	**51,308**	48,717	5.3
Support services headcount	**51,343**	48,752	5.3
Female support services headcount	**21,415**	19,997	7.1

Region	2021	2020	% change
Asia FTE	**67,840**	68,357	(0.8)
Asia headcount	**67,870**	68,385	(0.8)
Asia female headcount	**31,470**	31,610	(0.4)
Asia employed workers headcount	**66,968**	67,449	(0.7)
Asia fixed term workers headcount	**902**	936	(3.6)
Asia full time headcount	**67,774**	68,300	(0.8)
Asia part time headcount	**96**	85	12.9
AME FTE	**9,372**	10,694	(12.4)
AME headcount	**9,373**	10,695	(12.4)
AME female headcount	**4,100**	4,652	(11.9)
AME employed workers headcount	**8,999**	10,139	(11.2)
AME fixed term workers headcount	**374**	556	(32.7)
AME full time headcount	**9,369**	10,691	(12.4)
AME part time headcount	**4**	4	–
EA FTE	**4,691**	4,550	3.1
EA headcount	**4,714**	4,577	3.0
EA female headcount	**1,711**	1,751	(2.3)
EA employed workers headcount	**4,638**	4,496	3.2
EA fixed term workers headcount	**76**	81	(6.2)
EA full time headcount	**4,627**	4,474	3.4
EA part time headcount	**87**	103	(15.5)

Age	2021	2020	% change
< 30 years FTE	**14,063**	15,979	(12.0)
< 30 years headcount	**14,069**	15,984	(12.0)
< 30 years female headcount	**7,623**	8,409	(9.3)
30-50 years FTE	**60,891**	60,881	0.0
30-50 years headcount	**60,919**	60,912	0.0
30-50 years female headcount	**26,583**	26,641	(0.2)
> 50 years FTE	**6,949**	6,741	3.1
> 50 years headcount	**6,969**	6,761	3.1
> 50 years female headcount	**3,075**	2,963	3.8

Talent management[7]	2021	2020	% change
Global voluntary turnover – FTE	**10,214**	6,001	70.2
Global turnover – FTE	**13,160**	8,088	62.7
Global voluntary turnover rate (%)	**12.5%**	7.3%	71.7
Global turnover rate (%)	**16.0%**	9.8%	63.1
Male turnover FTE	**7,332**	4,386	67.2
Male (%)	**16.5%**	9.9%	67.0
Female turnover FTE	**5,736**	3,673	56.2
Female (%)	**15.4%**	9.7%	58.9
Asia turnover FTE	**11,004**	6,588	67.0
Asia (%)	**16.3%**	9.8%	66.3
AME turnover FTE	**1,454**	1,046	39.1
AME (%)	**14.3%**	9.6%	49.5
EA turnover FTE	**703**	454	54.7
EA (%)	**15.7%**	10.6%	47.9
< 30 years turnover FTE	**3,712**	2,561	44.9
< 30 years (%)	**24.2%**	14.1%	71.9
30-50 years turnover FTE	**8,144**	4,765	70.9
30-50 years (%)	**13.5%**	8.2%	65.4
> 50 years turnover FTE	**1,304**	762	71.2
> 50 years (%)	**19.9%**	12.6%	57.4
Average tenure (years) – Male	**7.2**	7.1	1.3
Average tenure (years) – Female	**7.7**	7.6	1.7
Global new hires – FTE	**12,660**	8,639	46.6
Global new hire rate (%)	**15.1%**	10.2%	47.8
Male new hire FTE	**6,758**	4,963	36.2
Male (%)	**15.0%**	11.0%	36.4
Female new hire FTE	**5,580**	3,423	63.0
Female (%)	**14.7%**	8.8%	66.7
Asia new hire FTE	**11,387**	7,591	50.0
Asia (%)	**16.7%**	11.1%	50.2
AME new hire FTE	**431**	366	17.8
AME (%)	**4.0%**	3.2%	27.5
EA new hire FTE	**842**	682	23.5
EA (%)	**18.5%**	15.8%	17.1
< 30 years new hire FTE	**5,857**	4,020	45.7
< 30 years (%)	**36.7%**	21.1%	74.0
30-50 years new hire FTE	**6,514**	4,433	46.9
30-50 years (%)	**10.7%**	7.5%	42.5
> 50 years new hire FTE	**290**	186	55.6
> 50 years (%)	**4.3%**	3.0%	43.8
Roles filled internally (%)	**40.8%**	39.6%	3.1
of which filled by females (%)	**42.8%**	41.1%	4.1
Employees with completed performance appraisal (%)	**99.9%**	97.7%	2.3
Absenteeism rate[8] (%)	**1.6%**	1.3%	23.3

Learning[9]	2021	2020	% change
Employees receiving training (%)	**99.4%**	99.5%	(0.1)
Employees receiving training for personal development (%)	**91.7%**	91.5%	0.2
Female (%)	**91.2%**	89.9%	1.5
Senior leadership (%)[6]	**96.2%**	94.5%	1.8
Average number of training hours per employee	**37.6**	31.8	18.0
Female	**36.9**	30.3	21.9
Employed workers	**37.6**	31.9	18.1
Fixed term workers	**34.0**	27.3	24.5
Average cost of training per employee ($) [10]	**708**	567	24.9

Work-related Health & Safety	2021	2020	% change
Fatalities[11]	**0**	1	–
Fatalities (rate per million hours worked)	**0**	0.01	–
Major injuries[11,12,13,14]	**24**	23	4.3
Major injuries (rate per million hours worked[15])	**0.13**	0.12	4.5
Recordable work-related injuries[16]	**79**	84	(6.0)
Recordable work-related injuries (rate per million hours worked[15])	**0.43**	0.45	(5.8)
Work-related ill-health (fatalities)	**0**	–	–

1 Excludes 247 employees (headcount) from Solv and Zai (formerly known as Currency Fair Assembly Payments) entities

2 Non-outsourced NEWs are resources engaged on a time and materials basis where task selection and supervision is the responsibility of the Bank, such as agency workers. References to total number of colleagues in this report include employees plus non-outsourced NEWs

3 Outsourced NEWs are arrangements with a third party vendor where the delivery is based on a specific service or outcome at an agreed price, irrespective of the number of resources required to perform the service. These resources are not considered as the Group's headcount

4 The disclosure of gender information is not mandatory in some markets

5 Management team (MT) and colleagues who report to them, excluding administrative or executive support roles (personal assistant, business planning managers).Includes Group Head of Internal Audit.

6 Senior leadership is defined as Managing Directors and Bands 4 (including Management Team)

7 Turnover metrics are based on permanent employed workers only. New hire metrics are based on external new hires. Turnover and new hire metrics for the undisclosed gender population is not shown due to small population size

8 Represents health and disability related absence, including quarantine and vaccination leave in respect of COVID-19. Excludes Korea

9 Learning metrics have been updated to exclude non-employed workers (NEWs) and 2020 has been updated for comparison. Training for personal development is defined as all training excluding mandatory or role specific training.

10 Average cost of training per employee includes cost of learning management system

11 Includes commuting

12 Per UK HSE definition

13 Most common types of major injury are fractures (52%)

14 2021 includes 4 contractors/visitors. 2020 includes 1 contractor/visitor

15 2021 hours worked = 184,997,097 . 2020 hours worked = 185,313,634.

16 2021 includes 23 contractors/visitors. 2020 includes 14 contractors/visitors

Supplementary sustainability information

Pillar 1: Business

Employees trained in environmental and social risk management

	2021	2020	2019
Employees trained[1]	**1,280**	1,604	1,149

1 Employees targeted for training are those in client-facing roles and relevant support teams

Environmental and social risk management

	2021	2020	2019
Number of transactions reviewed	**547**	402	321
Number of clients reviewed	**786**	688	804

Equator Principles

	Project finance mandates			Project-related corporate loans			Project-related refinance[4]			Project advisory mandates[6]
	Cat A[1]	Cat B[2]	Cat C[3]	Cat A	Cat B	Cat C	Cat A	Cat B	Cat C	
Total 2019	6	7	–	1	1	2	–	–	–	–
Total 2020	4	8	–	2	1	–	–	–	–	–
Total 2021	**8**	**12**	**3**	**1**	**6**	**0**	**0**	**1**	**0**	
2021										
Sector										
Mining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Infrastructure	**2**	**3**	**3**	**1**	**6**	**0**	**0**	**0**	**0**	**0**
Oil & Gas	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Renewables	**2**	**9**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**
Telecoms	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Power	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Region										
GCNA	**0**	**0**	**2**	**0**	**3**	**0**	**0**	**0**	**0**	**0**
ASA	**3**	**4**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Americas	**4**	**2**	**0**	**1**	**3**	**0**	**0**	**0**	**0**	**0**
EA	**1**	**6**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**
Designation[5]										
Designated	**0**	**6**	**1**	**0**	**0**	**0**	**0**	**1**	**0**	**0**
Non-Designated	**8**	**6**	**2**	**1**	**6**	**0**	**0**	**0**	**0**	**0**
Independent Review										
Yes	**8**	**12**	**1**	**1**	**2**	**0**	**0**	**1**	**0**	**0**
No	**0**	**0**	**2**	**0**	**4**	**0**	**0**	**0**	**0**	**0**

1 'Cat A' or Category A are projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented

2 'Cat B' or Category B are projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures

3 'Cat C' or Category C are projects with minimal or no adverse environmental and social risks and/or impacts

4 In line with Equator Principles 4, Standard Chartered now reports those transactions that trigger Project Related Refinance

5 'Designation' is split into designated and non-designated countries. Designated countries are deemed by the Equator Principles to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment. Non-designated countries are countries that are not found on the list of designated countries. The list of countries can be found at www.equator-principles.com

6 Standard Chartered did not participate in any Project Advisory mandates that triggered the applicability of the Equator Principles in 2021

Pillar 2: Operations

Environment

	See footnote:	2021 Measured	2021 Scaled Up	2020 Measured	2020 Scaled Up	2019 Measured	2019 Scaled Up
Offices reporting		**838**		756		164	–
Net internal area of occupied property (m^2)		**976,520**	**998,571**	933,132	1,050,414	825,088	1,154,999
Green lease clause inclusion (%)	1	**85**		85		82	–
Occupied net internal area where data is collected (%)		**98**		89		71	–
Headcount	2	**80,318**	**81,957**	74,316	83,657	73,094	84,398
Annual operating income from 1 October to 30 September ($m)		–	**14,541**	–	15,233	–	15,200
Greenhouse gas emissions – Absolute (tonnes CO_2eq/year)							
Scope 1 emissions (combustion of fuels)		**2,834**	**2,902**	3,589	3,988	3,435	4,542
Scope 2 emissions (purchased electricity – location based)		**80,835**	**82,761**	102,477	113,870	98,383	141,771
Scope 2 emissions (purchased electricity – market based)	3	**73,016**	**74,906**				
Scope 1 & 2 emissions (location based)		**83,669**	**85,662**	106,066	117,858	101,818	146,313
Scope 1 & 2 emissions (UK and offshore area only)	4	**–**	**–**				
Scope 3 emissions with distance uplift (air travel)	5	**3,410**	**3,654**	31,617	33,930	87,295	94,043
Scope 3 emissions (outsourced Global Data Centre)			**43,132**	-	29,562	–	46,362
Scope 1, 2 & 3 emissions (location based)		**87,079**	**132,448**	137,683	181,350	189,113	286,718
Greenhouse gas emissions – Intensity							
Scope 1 & 2 emissions/headcount (tonnes CO_2eq/headcount/year)		**1.04**	**1.05**	1.43	1.41	1.39	1.73
Scope 1 & 2 emissions/$m operating income (tonnes CO_2eq/$m/year)			**5.89**	–	7.74	–	9.63
Scope 3 emissions/headcount with distance uplift (tonnes CO_2eq/headcount/year)		**0.04**	**0.04**	0.40	0.41	1.11	1.11
Scope 1, 2 & 3 emissions/headcount (tonnes CO_2eq/headcount/year)		**1.08**	**1.62**	1.85	2.17	2.59	3.40
Scope 1, 2 & 3 emissions/$m operating income (tonnes CO_2eq/$m/year)			**9.11**	–	11.91	–	18.86
Environmental resource efficiency							
Energy	6						
Indirect non-renewable energy consumption (GWh/year)		**139.3**	**142.4**	163.6	184.2	153.5	222.6
Indirect renewable energy consumption (GWh/year)		**26.8**	**27.5**	12.5	14.1	16.4	17.0
Direct non-renewable energy consumption (GWh/year)		**12.2**	**12.4**	14.6	16.5	14.4	18.8
Direct renewable energy consumption (GWh/year)	7	**0.7**	**0.7**	0.70	0.80	0.50	0.80
Energy consumption (GWh/year)	8	**179**	**183**	191.5	215.6	184.3	258.3
Energy consumption (GWh/year) (UK and offshore area only)		**5**	**5**				
Energy consumption/Headcount (kWh/Headcount/year)		**2,229**	**2,233**	2,260	2,544	2,522	3,061
Water	9						
Water consumption (ML/year)		**256**	**384**	363	483	425	654
Water consumption in regions of high or extremely high water stress (%)	10	**30**	**30**				
Water consumption/headcount (m^3/headcount/year)		**3**	**5**	4	6	6	8
Waste							
Waste (ktonnes/year)		**2.21**	**3.5**	3.67	5.4	4.8	–
Waste per colleague (kg/headcount/year)		**28**	**43**	43	65	66	–
Waste reused or recycled (%)		**32**		23	-	35	–

1 Percentage of green lease clause inclusion in all new and renewed leases within the reporting year.

2 Refers to the Group's headcount as at 31 December 2021.

3 This is a new reporting addition for 2021. Market-based data is unavailable for previous years. All aggregate and intensity emissions figures use location based data as their foundation.

4 This is a location based consumption value emission. This is zero, as all energy consumed in the UK is from verified renewable sources.

5 Measured Scope 3 flight emissions are drawn from reliable data collected from 35 countries, based on seating class and distance flown. This data is then scaled up to reflect the portion of the portfolio we do not gather measurements from. As we operate largely outside of the UK, all flights domestic or international with flight distance of less than 785km, labelled by the Department for Business, Energy and Industrial Strategy (DBEIS) as domestic flights, have been classified as short haul. All flights with distance flown ranging from 785 to 3,700km, labelled by DBEIS as short haul have been classified as medium haul. All flights with a distance flown in excess of 3,700km are classified as long haul. Note that 2020 scaled up flight emissions, along with associated totals and intensity metrics have been restated due to an error made in previous reporting periods. This was an immaterial change of less than one per cent.

6 We measured data from 98% of our properties to calculate our energy use across our properties. This is then scaled up to reflect the portion of the portfolio we do not gather measurements from. Warehouses, empty land, car parks, unoccupied sites for business continuity purposes, residential properties, space occupied by automated teller machines, vaults and space sub-let to tenants are excluded from this extrapolation. Figures for renewable, non-renewable and total energy in GWh are rounded to one decimal place – therefore some discrepancies in rounded sum totals may arise. Total consumption figures have been verified as accurate from source data. This also applies to previous periods which are therefore restated to the same level of detail. Further detail on the types of energy included within these calculations can be found at sc.com/environmentcriteria.

7 In 2021, reporting has changed to GWh for this metric. In previous years this was reported in MWh.

8 This value represents the total energy of heating, cooling and electricity consumption globally. Total energy use is normalised to reflect periods of vacancy in certain sites during the reporting period.

9 We measured data from 67% of our properties to calculate our water use across our properties. This is then scaled up to reflect the portion of the portfolio we do not gather measurements from.

10 Areas of high and extremely high water stress determined according to WRI Aquaduct tool. As accessed on 10 Jan 2022, these countries are South Africa, Saudi Arabia, Bahrain, Oman, Qatar, UAE, Pakistan, India, Thailand and China. This is a new reporting addition for 2021, data is unavailable for previous years.

11 We measured data from 63% of our properties to calculate our waste across our properties. This is then scaled up to reflect the portion of the portfolio we do not gather measurements from.

Additional notes on environment data

The emissions within our inventory correspond to a reporting period of 1 October 2020 to 30 September 2021. This is to allow sufficient time for independent assurance to be gained prior to the publication of results. Accordingly, the operating income used in this inventory corresponds to the same period rather than the calendar year used in financial reporting. This is consistent with international carbon reporting practice.

We use an independent third-party assurance provider to verify our greenhouse gas (GHG) emissions. In 2021, our measured Scope 1 and Scope 2 emissions, as well as waste and water consumption, were assured by Global Documentation Ltd, ensuring the accuracy and credibility of our reporting.

+ Read our environment reporting criteria at **sc.com/environmentcriteria**

+ Read our independent assurance report at **sc.com/environmentalassurance**

Pillar 2: Operations

Financial crime prevention

Completion rates of Financial Crime Risk training

	2021 %	2020 %	2019 %
Internal Financial Crime Risks			
Group total	**99.6**	99.9	99.9
Asia	**99.5**		
Governance body	**NA**		
Employees – Employed Workers	**99.5**		
Employees – Fixed term workers	**99.8**		
AME	**99.8**		
Governance body	**NA**		
Employees – Employed Workers	**99.9**		
Employees – Fixed term workers	**99.7**		
EA	**99.8**		
Governance body	**100**		
Employees – Employed Workers	**99.8**		
Employees – Fixed term workers	**100**		
External Financial Crime Risks			
Group total	**99.6**	99.9	99.9
Asia	**99.6**		
Governance body	**NA**		
Employees – Employed Workers	**99.6**		
Employees – Fixed term workers	**99.8**		
Business Partners	**100**		
AME	**99.9**		
Governance body	**NA**		
Employees – Employed Workers	**99.9**		
Employees – Fixed term workers	**99.7**		
Business Partners	**100**		
EA	**99.8**		
Governance body	**100**		
Employees – Employed Workers	**99.8**		
Employees – Fixed term workers	**100**		
Business Partners	**100**		

Additional notes on financial crime prevention data

With the introduction of alignment to GRI and WEF metrics, enhanced data related to employee categories and regions has been provided for 2021. Total training rates have been provided for previous periods, for which regional and category breakdowns are not available.

In 2020, the Financial Crime Compliance (FCC) e-learning courses merged into External and Internal Financial Crime Risk courses which cover anti-money laundering (AML), sanctions, anti bribery and corruption (ABC) and fraud risks.2019 reported data provides the total employees completing three separate e-learning courses on sanctions, AML and ABC.

Governance body refers to Standard Chartered PLC Board members. All Board members are reported under EA region.

Employed workers are permanent employees of Standard Chartered PLC. Fixed term workers are employed for a fixed period.

Business partners refers to suppliers and third parties that received our Supplier Charter in 2021. The Supplier Charter communicates our expectations and minimum standards with regards to ABC and financial crime.

Computing method : (Completed + Due) / (Total Population – Untagged) = rate of Completion.

Data is the "Tagged" population.

Pillar 3: Communities

Community expenditure

Total ($million)	2021	2020	2019
Cash contributions	**28.1**	71.5	27.5
Employee time (non-cash item)	**11.4**	11.6	16.9
Gifts in kind (non-cash item)[1]	**2.6**	1.1	0.3
Management costs	**4.7**	4.4	4.5
Total (direct investment by the Group)	**46.8**	88.6	49.2
Leverage[2]	**1.9**	7.1	1.9
Total (incl. leverage)	**48.7**	95.7	51.1
Percentage of prior year operating profit (% PYOP)	**3**	2.58	2.01

1 Gifts in kind comprises all non-monetary donations

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

2022 Sustainability Aspirations

Pillar one: Business

Theme	Aspiration	Target Date
Green and Transition Finance Achieving a just transition will require directing capital and specialised support to the regions that need it most to drive sustainable economic growth	Mobilise $300 billion aligned to our Green and Sustainable Product Framework and Transition Finance Framework including contribution from existing target to:	Jan 2021 – Dec 2030
	Mobilise project financing services for $40 billion of infrastructure projects that promote sustainable development that align to our verified Green and Sustainable Product Framework	Jan 2020 – Dec 2024
	Launch and grow green mortgages in key markets across our footprint	Jan 2022 – Dec 2023
Climate Climate change is one of today's greatest challenges and addressing it is essential to promote sustainable economic growth	Measure, manage and reduce emissions associated with our financing via the implementation of our net zero roadmap	Jan 2022 – Dec 2022
	Only provide financial services to clients who are: • by 2024, less than 80% dependent on thermal coal (based on % revenue); • by 2025, are less than 60% dependent on thermal coal (based on % revenue); • by 2027, are less than 40% dependent on thermal coal (based on % revenue); • by 2030, are less than 5% dependent on thermal coal (based on % revenue)	Jan 2020 – Jan 2030
	Achieve emissions reduction in our most carbon-intensive sectors of: • 63% in Power (Scopes 1 and 2 intensity); • 33% in Steel Producers (Scopes 1 and 2 intensity); • 33% in Mining (ex Coal) (Scopes 1 and 2 intensity); • 30% in Oil and Gas (Scopes 1, 2 and 3 intensity), and; • 85% emissions reduction in coal mining (Scopes 1, 2 and 3 absolute)	Jan 2020 – Dec 2030
	Measure and report mortgage emissions with a view to setting targets by 2023	Jan 2022 – Dec 2023
Entrepreneurs Entrepreneurs are the heart of local economies, creating jobs and empowering people	Provide $15 billion of financing to small business clients (Business Banking)	Jan 2020 – Dec 2024
	Provide $3 billion of financing to microfinance institutions	Jan 2020 – Dec 2024
Commerce Trade creates jobs and contributes to economies by enabling people to connect across borders	Bank 10,000 of our clients' international and domestic networks of suppliers and buyers through banking the ecosystem programmes	Jan 2020 – Dec 2024
Impact Finance Innovative financial products and partnerships can help us solve global development challenges and improve the lives of millions in our markets	Double sustainable investing assets under management from mutual funds only to a more holistic proposition including exchange traded funds (ETFs), bonds, equities, structured products, discretionary portfolio mandates (DPMs) and insurance-linked plans (ILPs)	Jun 2021 – Dec 2025
	Integrate ESG considerations in wealth management advisory activities	Jan 2021 – Dec 2025

Pillar two: Operations

Theme	Aspiration	Target Date
People Our people are our greatest asset, and our diversity drives our business success	Increase gender representation to 35% women in senior roles	Sep 2016 – Dec 2025
	Increase our 'Culture of Inclusion' score to 84.5%	Jan 2020 – Dec 2024
	Embed an integrated health and wellbeing strategy to support building and re-skilling a future-ready, diverse workforce	Jan 2020 – Dec 2022
	Create Diversity & Inclusion Supplier Plans for all our markets to support 40% of our newly onboarded suppliers being diverse	Jan 2022 – Dec 2025
	Grow our employee My Voice score to the question "the way that we operate day-to-day is aligned with our vision of being the world's most sustainable and responsible bank" from 2021 baseline of 84% to 88%	Jan 2022 – Dec 2024
	Support at least 50% of all employees to complete our learning programme on Sustainability Support at least 70% of relevant employees to complete our Sustainable Finance training programme	Jan 2022 – Dec 2022
Environment Reducing our own impact on the environment will protect our planet for the benefit of our communities	Reduce annual Scope 1 & 2 greenhouse gas emissions to net zero by 2025	Jan 2019 – Dec 2025
	Source all energy from renewable sources	Jan 2020 – Dec 2025
	Achieve and maintain flight emissions 28% lower than our 2019 baseline of 94,000 tonnes	Jan 2021 – Dec 2023
	Reduce waste per colleague to 40kg/FTE/year	Jan 2020 – Dec 2025
	Recycle 90% of waste	Jan 2020 – Dec 2025
	Offset all residual emissions from our operations (Scope 1 and 2, Scope 3 flights, waste and data centres), doubling our average cost from $7.65 in 2021 to $15 per tonne in 2022	Jan 2022 – Dec 2022
Conduct and Compliance By partnering proactively and effectively, we can drive the right outcomes for clients and communities	Tackle financial crimes by contributing to developing typologies and red flags for financial flows, training frontline staff to identify potential suspicious transactions and participating in public-private partnerships to share intelligence and good practices	Ongoing
	Develop and deliver a targeted outreach programme, including through key international platforms, aimed at safely and transparently reducing barriers to capital mobilisation for sustainable development	Jan 2022 – Dec 2024

Pillar three: Communities

Theme	Aspiration	Target Date
Communities Everyone deserves economic opportunities that enable them to learn, earn and grow	Invest 0.75% of prior year operating profit (PYOP) in our communities	Ongoing
	Raise $75 million for Futuremakers by Standard Chartered	Jan 2019 – Dec 2023
	Education: Reach 1 million girls and young women through Goal	Jan 2006 – Dec 2023
	Employability: Reach 100,000 young people	Jan 2019 – Dec 2023
	Increase participation for employee volunteering to 55%	Jan 2020 – Dec 2023

Shareholder information

Dividend and interest payment dates

Ordinary shares	Final dividend
Results and dividend announced	17 February 2022
Ex-dividend date	24 (UK) 23 (HK) February 2022
Record date for dividend	25 February 2022
Last date to amend currency election instructions for cash dividend*	12 April 2022
Dividend payment date	12 May 2022

* In either US dollars, sterling, or Hong Kong dollars

Preference shares	1st half yearly dividend	2nd half yearly dividend
7⅜ per cent non-cumulative irredeemable preference shares of £1 each	1 April 2022	1 October 2022
8¼ per cent non-cumulative irredeemable preference shares of £1 each	1 April 2022	1 October 2022
6.409 per cent non-cumulative redeemable preference shares of $5 each	30 January and 30 April 2022	30 July and 30 October 2022
7.014 per cent non-cumulative redeemable preference shares of $5 each	30 January 2022	30 July 2022

Annual General Meeting

The Annual General Meeting (AGM) will be held on Wednesday 4 May 2022 at 11:00 UK time (18:00 Hong Kong time). Further details regarding the format, location and business to be transacted at the meeting will be disclosed within the 2022 Notice of AGM.

+ Details of voting at the Company's AGM and of proxy votes cast can be found on the Company's website at **sc.com/agm**

Interim results

The interim results will be announced to the London Stock Exchange, The Stock Exchange of Hong Kong Limited and put on the Company's website.

Country-by-Country Reporting

In accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013, the Group will publish additional country-by-country information in respect of the year ended 31 December 2021, on or before 31 December 2022. We have also published our approach to tax and tax policy.

+ This information will be available on the Group's website at **sc.com**

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 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 visit our website at **sc.com/shareholders** or 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 dividend 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**

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.

Taxation

No tax is currently withheld from payments of dividends by Standard Chartered PLC. Shareholders and prospective purchasers should consult an appropriate independent professional adviser regarding the tax consequences of an investment in shares in light of their particular circumstances, including the effect of any national, state or local laws.

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
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
Interim 2021	22 October 2021	3.00c/2.204877p/HK$0.233592	N/A

1 The INR dividend is per Indian Depository Receipt. In March 2020, the Group announced the termination of the IDR programme. The IDR programme was formally delisted from the BSE Limited (formerly the Bombay Stock Exchange) and National Stock Exchange of India Limited with effect from 22 July 2020

Chinese translation

If you would like a Chinese version of the 2021 Annual Report please contact Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

二〇二一年年報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 Annual 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 Annual Report electronically rather than by post, please register online at: investorcentre.co.uk. Click on 'register' and follow the instructions. You will need to have your Shareholder or ShareCare reference number to hand. You can find this on your share certificate or ShareCare statement. Once you have registered and confirmed your email communication preference, you will receive future notifications via email enabling you to submit your proxy vote online. In addition, as a member of Investor Centre, you will be able to manage your shareholding online and submit dividend elections electronically and change your bank mandate or address information.

Important notices

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 and market forces or conditions; future exchange and interest rates; changes in environmental, social or physical risks; legislative, regulatory and policy developments; the development of standards and interpretations; the ability of the Group to mitigate the impact of climate change effectively; risks arising out of health crisis and pandemics; 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.

Financial instruments

Nothing in this document shall constitute, in any jurisdiction, an offer or solicitation to sell or purchase any securities or other financial instruments, nor shall it constitute a recommendation or advice in respect of any securities or other financial instruments or any other matter.

Caution regarding climate and environment related information

Some of the climate and environment related information in this document is subject to certain limitations, and therefore the reader should treat the information provided, as well as conclusions, projections and assumptions drawn from such information, with caution. The information may be limited due to a number of factors, which include (but are not limited to): a lack of reliable data; a lack of standardisation of data; and future uncertainty. The information includes externally sourced data that may not have been verified. Furthermore, some of the data, models and methodologies used to create the information is subject to adjustment which is beyond our control, and the information is subject to change without notice.

Main awards and accolades in 2021

The Banker

Transaction Banking Awards 2021
- Transaction Bank of the Year for Trade Finance

Corporate Treasurer Award 2021
- Best Transaction Bank South Asia
- Best Transaction Bank China and Hong Kong
- Best Trade Finance Bank South Asia
- Best Trade Finance Bank China and Hong Kong

GTR

Deal of the Year 2021
- Deal of the Year (Tanzania Standard Gauge Railway)
- Deal of the Year (TDB)

Leader in Trade 2021
- Leaders in Trade for Innovation

Asiamoney Awards
- Best for ESG in Asia
- Best International Private Bank (Singapore)
- Best International Private Bank (India)
- Best international Bank (Bangladesh)

Asiamoney Middle East Awards
- Best International Bank (Middle East)

The Asset

Triple A Treasury, Trade, SSC and Risk Management Awards 2021
- Best Renminbi Bank
- Best in Treasury and Working Capital – LLCs
- Best in Working Capital and Trade Finance
- Best in Treasury and Cash Management, MENA
- Best in Working Capital Trade Finance, North Asia and South Asia and MENA
- Best Cash Management Bank, Bangladesh, Pakistan, Sri Lanka, Vietnam
- Best Supply Chain Bank, Pakistan
- Best Specialist: Liquidity Management Bank, China, Hong Kong, Taiwan
- Best Transaction Bank, China
- Best Trade Finance Bank, Hong Kong, India, South Korea, Sri Lanka
- Best in Treasury and Working Capital – SMEs, South Korea
- Best E-Solutions Partner, Hong Kong, South Korea, Vietnam

The Asset Triple A Infrastructure Awards 2021
- Project Finance House of the Year (Vietnam)
- Green Project of the Year (Vietnam)
- Renewable Energy Deal of the Year – Solar (Vietnam)
- Best Sustainability Effort (Vietnam)

TMI Awards for Innovation & Excellence in Treasury 2021

- Best Bank for Cash & Liquidity Management APAC
- Best Bank for Trade & Financial Supply Chain APAC
- Technology & innovation Awards: Best Customer Experience
- Technology & Innovation Awards: Highly Commended for Solution Innovation
- Treasury4Good Awards: Best Employee Engagement Project
- Treasury4Good Awards: Highly commended: Best Sustainable SCF Solution
- Treasury4 Good Awards: Highly Commended: Best Supply Chain Solution
- Corporate Recognition Technology Awards Best Virtual Accounts Solution
- Corporate Recognition Awards Best Trade Finance Solution
- Corporate Recognition Technology Awards: Best Blockchain Solution
- Corporate Recognition Awards: Best Accounts Receivable Solution

Treasury Today Asia

Adam Smith Awards Asia 2021
- Highly Commended: First Class Relationship Management
- Highly Commended: Best AR Solution
- Highly Commended: Best AP Solution
- Highly Commended: First Class Relationship Management
- Top Treasury Team 2021 – Shell Treasury Centre East Pte Ltd
- Best E-Cash Solution – DHL
- Best Working Capital Management Solution – SAIC HK International Finance Ltd

The Digital Banker 'Global Retail Banking Innovation Awards'

Global
- Best Automated Advisory Service
- Best Frictionless CRM
- Best Machine Learning Initiative
- Outstanding Digital Acceleration in response to Covid-19
- Outstanding Client onboarding & Account Opening

Regional
- Best Digital Bank – Africa

Country
- Best Digital Bank – 8 markets
- Best Islamic Retail Bank – 4 markets

Global Finance 'World's Best Digital Bank' Awards
- Best Consumer Digital Bank – Africa
- Best Consumer Digital Bank – 11 markets
- Best Islamic Digital Bank – Asia-Pacific
- Best Bill Payment and Presentment (global)
- Best Open Banking APIs – Mox Bank (global)

Global Private Banking Innovation Awards

- Best Private Bank – AI and Big Data

MEA Finance Awards 2021

- Best Technology Executive of the Year, Financial Services – Mohamed Abdel Razek, CIO, Standard Chartered Bank
- Best M&A deal
- Best Global Bank in Middle East (second year in a row)
- Best Overall Wealth Management Service in the Middle East

Middle East and Africa Retail Banking Innovation Awards 2021

- Excellence in Digital Wealth Management
- Best Digital Financial Inclusion Initiative

Diversity & inclusion and employer awards

Bloomberg

- Sixth consecutive year on Bloomberg Gender Equality Index

EDGE

- Second-highest level of EDGE Strategy Certification in Malaysia and Sri Lanka

Empower Ethnic Minority Role Models

- 50 Advocates list – Jeremy Amias
- Ethnic Minority Executives list – Fenil Khiroya
- Ethnic Minority Future Leaders list – Donna Hill

European Diversity Awards

- Supplier Diversity Programme of the Year

Financial Times

- Recognised on list of European Leaders for Workplace Diversity and Inclusion

Forbes

- Recognised as a World's Best Employer

HERoes Women Role Model Lists

- Women Executives – Jaine Mwai, Michele Sun San Wee, Souad Benkradda
- Women Future Leaders – Ankita Gupta and Swastika Somaddar
- Advocate Executives – Simon Cooper

India Workplace Equality Index

- Gold Employer

OUTstanding LGBT+ Executive List

- Carmen Muller, Sunil Daswani

Refinitiv Diversity and Inclusion Index

- Placed Top 100

Sustainability indices

We participate in the Workforce Disclosure Initiative and in 2021 scored a top 10 per cent response.

FTSE4Good

We participate in the CDP Climate questionnaire, scoring a B in 2021.

Further detail on our indicies and analysts ratings can be found at sc.com/ESGratings

Sustainability and community engagement awards

ADB – TSCFP Awards

- Most Responsive Bank Against COVID-19 (Confirming Bank) Award (Sri Lanka)

BT Banking Awards

- Best CSR Bank (Bangladesh)

China Sustainability Tribune

- Sustainability Development Solution Award (China)

Community Chest Awards

- Charity Gold Award (Standard Chartered Singapore)

CorpComms Awards

- Best International Campaign - Zeronomics
- Best Sustainability Campaign – Zeronomics

The Economic Observer

- Sustainable Finance Contribution Award (China)

The Excellent Magazine

- Best Social Inclusion (Taiwan)

Global Brands magazine

- Best CSR Bank (Bangladesh)

PRWeek Global Awards

- Best Global Content Award – Opportunity 2030

PRCA City & Financial Awards

- Best Strategic Communications/ Corporate Brand Campaign – Opportunity 2030

Singapore President

- Community Spirit Platinum Award (Singapore)

Taiwan Advertisers' Association and Brain Magazine

- Best CSR-Social Engagement – Silver Award (Futuremakers, Taiwan)

Glossary

Absolute financed emissions
A measurement of our attributed share of our clients greenhouse gas emissions.

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 (as it forms part of UK domestic law) 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 the PRA. CRD comprises the Capital Requirements Directive and the UK onshored Capital Requirements Regulation (CRR). The package implements the Basel III framework together with transitional arrangements for some of its requirements. CRD IV came into force on 1 January 2014. The EU CRR II and CRD V amending the existing package came into force in June 2019 with most changes starting to apply from 28 June 2021. Only those parts of the EU CRR II that applied on or before 31 December 2020, when the UK was a member of the EU, have been implemented. The PRA recently finalised the UK's version of the CRR II for implementation on 1 January 2022.

Capital-lite income
Income derived from products with low RWA consumption or products which are non-funding in nature.

Capital resources
Sum of Tier 1 and Tier 2 capital after regulatory adjustments.

CGU or Cash-generating unit
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Cash shortfall
The difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive over the contractual life of the instrument.

Clawback
An amount an individual is required to pay back to the Group, which has to be returned to the Group under certain circumstances.

Commercial real estate
Includes office buildings, industrial property, medical centres, hotels, malls, retail stores, shopping centres, farm land, multi-family housing buildings, warehouses, garages, and industrial properties. Commercial real estate loans are those backed by a package of commercial real estate assets.

CET1 or Common Equity Tier 1 capital
Common Equity Tier 1 capital consists of the common shares issued by the Group and related share premium, retained earnings, accumulated other comprehensive income and other disclosed reserves, eligible non-controlling interests and regulatory adjustments required in the calculation of Common Equity Tier 1.

CET1 ratio
A measure of the Group's CET1 capital as a percentage of risk-weighted assets.

Contractual maturity
Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal and interest is due to be paid.

Countercyclical capital buffer

The countercyclical capital buffer (CCyB) is part of a set of macroprudential instruments, designed to help counter procyclicality in the financial system. CCyB as defined in the Basel III standard provides for an additional capital requirement of up to 2.5 per cent of risk-weighted assets in a given jurisdiction. The Bank of England's Financial Policy Committee has the power to set the CCyB rate for the United Kingdom. Each bank must calculate its 'institution-specific' CCyB rate, defined as the weighted average of the CCyB rates in effect across the jurisdictions in which it has credit exposures. The institution-specific CCyB rate is then applied to a bank's total risk-weighted assets.

Counterparty credit risk

The risk that a counterparty defaults before satisfying its obligations under a derivative, a securities financing transaction (SFT) or a similar contract.

CCF or Credit conversion factor

An estimate of the amount the Group expects a customer to have drawn further on a facility limit at the point of default. This is either prescribed by CRR or modelled by the bank.

CDS or Credit default swaps

A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.

Credit institutions

An institution whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account.

Credit risk mitigation

Credit risk mitigation is a process to mitigate potential credit losses from any given account, customer or portfolio by using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and guarantees.

CVA or Credit valuation adjustments

An adjustment to the fair value of derivative contracts that reflects the possibility that the counterparty may default such that the Group would not receive the full market value of the contracts.

Customer accounts

Money deposited by all individuals and companies which are not credit institutions including securities sold under repurchase agreement (see repo/reverse repo). Such funds are recorded as liabilities in the Group's balance sheet under customer accounts.

Days past due

One or more days that interest and/or principal payments are overdue based on the contractual terms.

DVA or Debit valuation adjustment

An adjustment to the fair value of derivative contracts that reflects the possibility that the Group may default and not pay the full market value of contracts.

Debt securities

Debt securities are assets on the Group's balance sheet and represent certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by central banks.

Debt securities in issue

Debt securities in issue are transferable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.

Deferred tax asset

Income taxes recoverable in future periods in respect of deductible temporary differences between the accounting and tax base of an asset or liability that will result in tax deductible amounts in future periods, the carry-forward of tax losses or the carry-forward of unused tax credits.

Deferred tax liability

Income taxes payable in future periods in respect of taxable temporary differences between the accounting and tax base of an asset or liability that will result in taxable amounts in future periods.

Default

Financial assets in default represent those that are at least 90 days past due in respect of principal or interest and/or where the assets are otherwise considered to be unlikely to pay, including those that are credit-impaired.

Defined benefit obligation

The present value of expected future payments required to settle the obligations of a defined benefit scheme resulting from employee service.

Defined benefit scheme

Pension or other post-retirement benefit scheme other than a defined contribution scheme.

Defined contribution scheme

A pension or other post-retirement benefit scheme where the employer's obligation is limited to its contributions to the fund.

Delinquency

A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as arrears.

Deposits by banks

Deposits by banks comprise amounts owed to other domestic or foreign credit institutions by the Group including securities sold under repo.

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.

ESG
Environment, Social and Governance.

FCA or Financial Conduct Authority
The Financial Conduct Authority regulates the conduct of financial firms and, for certain firms, prudential standards in the UK. It has a strategic objective to ensure that the relevant markets function well.

Forbearance
Forbearance takes place when a concession is made to the contractual terms of a loan in response to an obligor's financial difficulties. The Group classifies such modified loans as either 'Forborne – not impaired loans' or 'Loans subject to forbearance – impaired'. Once a loan is categorised as either of these, it will remain in one of these two categories until the loan matures or satisfies the 'curing' conditions described in Note 8 to the financial statements.

Forborne – not impaired loans
Loans where the contractual terms have been modified due to financial difficulties of the borrower, but the loan is not considered to be impaired. See 'Forbearance'.

Funded/unfunded exposures
Exposures where the notional amount of the transaction is funded or unfunded. Represents exposures where a commitment to provide future funding is made but funds have been released/ not released.

FVA or Funding valuation adjustments
FVA reflects an adjustment to fair value in respect of derivative contracts that reflects the funding costs that the market participant would incorporate when determining an exit price.

G-SIBs or Global Systemically Important Banks
Global banking financial institutions whose size, complexity and systemic interconnectedness mean that their distress or failure would cause significant disruption to the wider financial system and economic activity. The list of G-SIBs is assessed under a framework established by the FSB and the BCBS. In the UK, the G-SIB framework is implemented via the CRD and G-SIBs are referred to as Global Systemically Important Institutions (G-SIIs).

G-SIB buffer
A CET1 capital buffer which results from designation as a G-SIB. The G-SIB buffer is between 1 per cent and 3.5 per cent, depending on the allocation to one of five buckets based on the annual scoring. In the UK, the G-SIB buffer is implemented via the CRD as Global Systemically Important Institutions (G-SII) buffer requirement

Green and Sustainable Product Framework
Sets out underlying eligible qualifying themes and activities that may be considered green, social or sustainable. This has been co-authored with a third party verifier (Sustainalytics) and has been informed by industry and supervisory principles and standards such as the Green Bond Principles and EU Taxonomy.

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.

Net Zero
The aim of reaching net zero carbon emissions from our operations by 2025 and from our financing by 2050.

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 85.

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.

Revenue-based carbon intensity
A measurement of the quantity of greenhouse gases emitted by our clients per USD of their revenue.

Regulatory consolidation
The regulatory consolidation of Standard Chartered PLC differs from the statutory consolidation in that it includes Ascenta IV, Olea Global Pte. Ltd, Seychelles International Mercantile Banking Corporation Limited., and all of the legal entities in the Currency Fair group on a proportionate consolidation basis. These entities are considered associates for statutory accounting purposes.

The regulatory consolidation further excludes the following entities, which are consolidated for statutory accounting purposes; Autumn Life Pte. Ltd., Cardspal Pte. Ltd. Discovery Technology Services Pte. Ltd, Nexco Pte. Ltd, SCV Research and Development Pte. Ltd., Standard Chartered Assurance Limited, Standard Chartered Insurance Limited, Corrasi Covered Bonds LLP, Pegasus Dealmaking Pte. Ltd., Standard Chartered Botswana Education Trust, Standard Chartered Bancassurance Intermediary Limited, Standard Chartered Bank Insurance Agency (Proprietary) Limited, Standard Chartered Research and Technology India Private Limited, Standard Chartered Trading (Shanghai) Limited.

Repo/reverse repo

A repurchase agreement or repo is a short-term funding agreement, which allows a borrower to sell a financial asset, such as asset-backed securities or government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future), it is a reverse repurchase agreement or reverse repo.

Residential mortgage

A loan to purchase a residential property which is then used as collateral to guarantee repayment of the loan. The borrower gives the lender a lien against the property, and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a home loan.

RoRWA or Return on risk-weighted assets

Profit before tax for year as a percentage of RWA. Profit may be statutory or underlying and is specified where used. See 'RWA' and 'Underlying earnings'.

RWA or Risk-weighted assets

A measure of a bank's assets adjusted for their associated risks, expressed as a percentage of an exposure value in accordance with the applicable standardised or IRB approach provisions.

Risks-not-in-VaR (RNIV)

A framework for identifying and quantifying marginal types of market risk that are not captured in the Value at Risk (VaR) measure for any reason, such as being a far-tail risk or the necessary historical market data not being available.

Roll rate

Uses a matrix that gives average loan migration rate from delinquency states from period to period. A matrix multiplication is then performed to generate the final PDs by delinquency bucket over different time horizons.

Scope 1 emissions

Arise from the consumption of energy from direct sources during the use of property occupied by the Group. On-site combustion of fuels such as diesel, liquefied petroleum gas and natural gas is recorded using meters or, where metering is not available, collated from fuel vendor invoices. Emissions from the combustion of fuel in Group-operated transportation devices, as well as fugitive emissions, are excluded as being immaterial.

Scope 2 emissions

Arise from the consumption of indirect sources of energy during the use of property occupied by the Group. Energy generated off-site in the form of purchased electricity, heat, steam or cooling is collected as kilowatt hours consumed using meters or, where metering is not available, collated from vendor invoices. For leased properties we include all indirect and direct sources of energy consumed by building services (amongst other activities) within the space occupied by the Group. This can include base building services under landlord control but over which we typically hold a reasonable degree of influence. All data centre facilities with conditioning systems and hardware remaining under the operational control of the Group are included in the reporting. This does not include energy used at outsourced data centre facilities which are captured under Scope 3.

Scope 3 emissions

Occur as a consequence of the Group's activities but arising from sources not controlled by the Group. Business air travel data is collected as person kilometres travelled by seating class by employees of the Group. Data are drawn from country operations that have processes in place to gather accurate employee air travel data from travel management companies. Flights are categorised as short, medium or long haul trips. Emissions from other potential Scope 3 sources such as electricity transmission and distribution line losses are not currently accounted for on the basis that they cannot be calculated with an acceptable level of reliability or consistency. The Group does however capture Scope 3 emissions from outsourced data centres managed by third parties.

Secured (fully and partially)

A secured loan is a loan in which the borrower pledges an asset as collateral for a loan which, in the event that the borrower defaults, the Group is able to take possession of. All secured loans are considered fully secured if the fair value of the collateral is equal to or greater than the loan at the time of origination. All other secured loans are considered to be partly secured.

Securitisation

Securitisation is a process by which credit exposures are aggregated into a pool, which is used to back new securities. Under traditional securitisation transactions, assets are sold to a structured entity which then issues new securities to investors at different levels of seniority (credit tranching). This allows the credit quality of the assets to be separated from the credit rating of the originating institution and transfers risk to external investors in a way that meets their risk appetite. Under synthetic securitisation transactions, the transfer of risk is achieved by the use of credit derivatives or guarantees, and the exposures being securitised remain exposures of the originating institution.

Senior debt

Debt that takes priority over other unsecured or otherwise more 'junior' debt owed by the issuer. Senior debt has greater seniority in the issuer's capital structure than subordinated debt. In the event the issuer goes bankrupt, senior debt theoretically must be repaid before other creditors receive any payment.

SICR or Significant increase in credit risk

Assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after considering the passage of time).

Solo

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

Sovereign exposures
Exposures to central governments and central government departments, central banks and entities owned or guaranteed by the aforementioned.

Stage 1
Assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months expected credit losses.

Stage 2
Assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

Stage 3
Assets that are in default and considered credit-impaired (non-performing loans).

Standardised approach
In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.

Structured note
An investment tool which pays a return linked to the value or level of a specified asset or index and sometimes offers capital protection if the value declines. Structured notes can be linked to equities, interest rates, funds, commodities and foreign currency.

Subordinated liabilities
Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.

Sustainability Aspirations
A series of targets and metrics by which we aim to promote social and economic development, and deliver sustainable outcomes in the areas in which we can make the most material contribution to the delivery of the UN Sustainable Development Goals.

Sustainable Finance assets
Assets from clients whose activities are aligned with the Green and Sustainable Product Framework and/or from transactions for which the use of proceeds will be utilised directly to contribute towards eligible themes and activities set out within the Green and Sustainable Product Framework.

Sustainable Finance revenue
Revenue from clients whose activities are aligned with the Green and Sustainable Product Framework and/or from transactions for which proceeds will be utilised directly to contribute towards eligible themes and activities set out within the Green and Sustainable Product Framework and/or from approved 'labelled' transactions such as any transaction referred to as "green", "social", "sustainable", "SDG (sustainable development goal) aligned", "ESG", "transition", "COVID-19 facility" or "COVID-19 response" which have been approved by the Sustainable Finance Governance Committee.

Tier 1 capital
The sum of Common Equity Tier 1 capital and Additional Tier 1 capital.

Tier 1 capital ratio
Tier 1 capital as a percentage of risk-weighted assets.

Tier 2 capital
Tier 2 capital comprises qualifying subordinated liabilities and related share premium accounts.

TLAC or Total loss absorbing capacity
An international standard for TLAC issued by the FSB, which requires G-SIBs to have sufficient loss-absorbing and recapitalisation capacity available in resolution, to minimise impacts on financial stability, maintain the continuity of critical functions and avoid exposing public funds to loss.

Transition risks
The risk of changes to market dynamics or sectoral economics due to governments' response to climate change.

UK bank levy
A levy that applies to certain UK banks and the UK operations of foreign banks. The levy is payable each year based on a percentage of the chargeable equities and liabilities on the Group's UK tax resident entities' balance sheets. Key exclusions from chargeable equities and liabilities include Tier 1 capital, insured or guaranteed retail deposits, repos secured on certain sovereign debt and liabilities subject to netting.

Unbiased
Not overly optimistic or pessimistic, represents information that is not slanted, weighted, emphasised, de-emphasised or otherwise manipulated to increase the probability that the financial information will be received favourably or unfavourably by users.

Unlikely to pay
Indications of unlikeliness to pay shall include placing the credit obligation on non-accrued status; the recognition of a specific credit adjustment resulting from a significant perceived decline in credit quality subsequent to the Group taking on the exposure; selling the credit obligation at a material credit-related economic loss; the Group consenting to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or, where relevant fees; filing for the obligor's bankruptcy or a similar order in respect of an obligor's credit obligation to the Group; the obligor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of a credit obligation to the Group.

VaR or Value at Risk
A quantitative measure of market risk estimating the potential loss that will not be exceeded in a set time period at a set statistical confidence level.

ViU or Value-in-Use
The present value of the future expected cash flows expected to be derived from an asset or CGU.

Write-downs
After an advance has been identified as impaired and is subject to an impairment provision, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write-downs will occur when, and to the extent that, the whole or part of a debt is considered irrecoverable.

XVA
The term used to incorporate credit, debit and funding valuation adjustments to the fair value of derivative financial instruments. See 'CVA', 'DVA' and 'FVA'.

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