Standard Chartered PLC

Half Year Report 2022

Registered in England under company No. 966425
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Unless another currency is specified, the word 'dollar' or symbol '$' in this document means US dollar and the word 'cent' or symbol 'c' means one-hundredth of one US dollar.

The information within this report is unaudited.

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

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

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

Standard Chartered PLC – Results for the first half and second quarter ended 30 June 2022

All figures are presented on an underlying basis and comparisons are made to 2021 on a reported currency basis, unless otherwise stated. A reconciliation of restructuring and other items excluded from underlying results is set out on pages 29-33.

Bill Winters, Group Chief Executive, said:

"We've posted a strong set of results for the first half of the year, with income up 10% on a normalised basis, supported by continued positive momentum in the second quarter, in which we grew income 11%. We remain disciplined on expenses, with significant savings delivered and maintained a strong capital position, with a CET1 ratio of 13.9%. We are also announcing today a new $500m share buy-back to start imminently. We remain confident in the delivery of the financial targets we set out in February."

Update on the five strategic actions

- **CCIB: drive improved returns:** Income RoRWA up 110bps to 6.0%; FI income now 44% of CCIB, up 3%pts
- **CPBB: transform profitability:** Cost-to-income ratio improved 2%pts from FY'21 to 72%; $98m gross expense savings delivered in 1H'22; added over 350k new partnership clients
- **Seize China opportunity:** Record first half income for China onshore; strong network income growth in China-ASEAN corridor, up 36%, and China-South Asia, up 24% YoY
- **Cost discipline to create operational leverage:** $199m gross structural cost savings delivered in 1H'22
- **Substantial shareholder distributions:** CET1 ratio remains towards the top of our 13-14% target range; new $500m share buy-back to start imminently. $1.4bn total shareholder distributions announced so far this year

Sustainability

- Sustainable Finance income up 43% with 11% asset growth YoY

Selected information concerning financial performance (1H'22 unless otherwise stated)

- Return on tangible equity of 10.1%, up 20bps on 1H'21
- **Income** up 8% to $8.2bn, up 10% at constant currency (ccy) and excluding debit valuation adjustment (DVA) and normalising for the 2021 IFRS9 interest rate adjustment
  - Net interest income up 12% at ccy
  - Record half in Financial Markets, up $0.5bn or 18% at ccy and excluding DVA
  - Continued positive momentum in Transaction Banking with income up 14% at ccy
  - Wealth Management down $0.2bn or 16% at ccy
  - 2Q'22 income up 6% YoY, or up 11% at ccy excluding DVA and normalising for the 2021 IFRS9 interest rate adjustment
  - 2Q'22 Net interest margin (NIM) up 6bps QoQ to 1.35%, from rising interest rates
- **Expenses** increased 4% YoY to $5.3bn, or up 7% at ccy and up 6% at ccy excluding higher performance-related-pay accruals
  - $199m gross expense savings more than offsetting increased investment spend in strategic initiatives and in Ventures
  - Positive 2% income-to-cost jaws at ccy and excluding DVA, cost-to-income ratio down to 65%
- **Credit impairment** charge of $267m, up $314m YoY; 2Q'22 down $133m QoQ
  - Includes $237m relating to China CRE stage 3 exposures and $70m for the foreign currency sovereign grading downgrade of Sri Lanka
  - Management overlay down $129m in 1H'22; total now $216m, COVID-19 overlay $90m and China CRE overlay $126m
  - High-risk assets up $0.4bn in 1H'22, driven by an increase in Early Alert accounts
- **Underlying profit before tax** up 7% at ccy to $2.8bn; statutory profit before tax up 10% at ccy to $2.8bn
- **Tax** charge of $684m: underlying effective tax rate of 24.6% up 0.5%pts due to a change in the geographic mix of profits
- The Group's **balance sheet** remains liquid and well diversified
  - Customer loans and advances down $2bn or 1% since 31.03.22, up $5bn or 2% excluding FX and RWA optimisation actions
  - Advances-to-deposit ratio 59.6% (31.03.22: 60.0%); liquidity coverage ratio 142% (31.03.22: 140%)
- **Risk-weighted assets** (RWA) of $255bn down $16bn since 31.12.21
  - Credit RWA down $14bn: $8bn of asset growth & mix, $6bn adverse regulatory changes, offset by $14bn efficiency actions, $8bn favourable FX impact and $6bn positive credit migration
  - Market risk RWA down $2bn to $23bn; Operational risk RWA broadly flat
- The Group remains strongly capitalised
  - **CET1 ratio** 13.9% (31.12.21: 14.1%): Profits and lower RWAs offset by 100bps of regulatory changes, $750m share buy-back programme and 50bps from FVOCI due to impact of rising yields on Treasury securities portfolio
  - Interim ordinary dividend of $119m; equivalent to 4c per share
  - $500m **share buy-back** starting imminently is expected to reduce the CET1 ratio by approximately 20bps
- **Earnings per share** increased 5.1 cents or 9% to 63.4 cents

2022 Outlook

The start to 2022 has been strong, albeit external conditions remain difficult to predict. Taking account of current performance and the external environment, our updated guidance for FY'22 is that we expect:

- Income ex-DVA growth of around 10%; adverse currency translation impact currently estimated at $0.4bn
- Further NIM progression in the second half of the year taking the outlook for the full year average to be around 140bps and 160bps for 2023
- Expenses ex-UK bank levy of around $10.6bn inclusive of favourable currency translation impact currently estimated at $0.3bn
- Risk-weighted assets to be broadly similar to FY'21 on a constant currency basis
- Credit impairment to normalise towards the medium-term loan-loss rate of 30-35bps
- To operate dynamically within the full 13-14% CET1 target range

We are on track to deliver 10% return on tangible equity by 2024, if not earlier.

Statement of results

	6 months ended 30.06.22 $million	6 months ended 30.06.21 $million	Change[1] %
Underlying performance			
Operating income	**8,200**	7,618	8
Operating expenses	**(5,267)**	(5,092)	(3)
Credit impairment	**(267)**	47	nm
Other impairment	**(2)**	(25)	92
Profit from associates and joint ventures	**153**	134	14
Profit before taxation	**2,817**	2,682	5
Profit attributable to ordinary shareholders[2]	**1,910**	1,826	5
Return on ordinary shareholders' tangible equity (%)	**10.1**	9.9	20bps
Cost-to-income ratio (excluding bank levy) (%)	**64.3**	66.8	250bps
Statutory performance			
Operating income	**8,225**	7,628	8
Operating expenses	**(5,328)**	(5,221)	(2)
Credit impairment	**(263)**	51	nm
Other impairment	**(15)**	(40)	63
Profit from associates and joint ventures	**153**	141	9
Profit before taxation	**2,772**	2,559	8
Taxation	**(684)**	(631)	(8)
Profit for the period	**2,088**	1,928	8
Profit attributable to parent company shareholders	**2,089**	1,914	9
Profit attributable to ordinary shareholders[2]	**1,873**	1,718	9
Return on ordinary shareholders' tangible equity (%)	**9.9**	8.7	120bps
Cost-to-income ratio (including bank levy) (%)	**64.8**	68.4	360bps
Net interest margin (%) (adjusted)	**1.32**	1.22	10bps

	30.06.22 $million	31.12.21 $million	Change[1] %
Balance sheet and capital			
Total assets	**835,917**	827,818	1
Total equity	**49,692**	52,636	(6)
Average tangible equity attributable to ordinary shareholders[2]	**38,109**	39,671	(4)
Loans and advances to customers	**293,508**	298,468	(2)
Customer accounts	**453,742**	474,570	(4)
Risk-weighted assets	**255,082**	271,233	(6)
Total capital	**53,637**	57,644	(7)
Total capital ratio (%)	**21.0**	21.3	(23)bps
Common Equity Tier 1	**35,373**	38,362	(8)
Common Equity Tier 1 ratio (%)	**13.9**	14.1	(28)bps
Advances-to-deposits ratio (%)[3]	**59.6**	59.1	0.5
Liquidity coverage ratio (%)	**142**	143	(1)
Leverage ratio (%)	**4.5**	4.9	(35)bps

Information per ordinary share	Cents	Cents	Change[1]
Earnings per share – underlying[4]	**63.4**	58.3	5.1
– statutory[4]	**62.1**	54.8	7.3
Net asset value per share[5]	**1,434**	1,456	(22)
Tangible net asset value per share[5]	**1,248**	1,277	(29)
Number of ordinary shares at period end (millions)	**2,967**	3,057	(3)

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

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

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

4 Represents the underlying or statutory earnings divided by the basic weighted average number of shares. Prior period refers to 6 months ended 30.06.21

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

Group Chief Executive's review

Strong performance in difficult conditions

We've posted a strong set of results for the first half of the year, with income up 10 per cent on a normalised constant currency basis, supported by continued positive momentum in the second quarter in which we grew income 11 per cent. We also generated a 10.1 per cent return on tangible equity (RoTE). We've seen healthy business momentum driving top line growth with a record Financial Markets performance and double-digit growth in net interest income. We will pay an increased interim dividend of $119 million equal to 4 cents per share. We are also announcing today a new share buy-back of $500 million, to start imminently, as we actively manage our capital with the aim of returning in excess of $5 billion to shareholders over the next three years.

We've achieved this by actively supporting our clients and communities in what continue to be difficult conditions. The external environment is likely to remain challenging in light of the Russia/Ukraine war, the continuing impacts of COVID-19 and widespread supply chain disruptions. Recession risks are rising in the US and Europe as central banks are compelled to raise interest rates to address the rapid and sizeable increases in inflation.

However, in the East, many of the markets in which we operate are in the early stages of a post-pandemic recovery. China is deploying strong policy stimulus that should help kick-start the economy so boosting domestic and regional activity. We are well equipped to navigate this complex macroeconomic picture with the solid risk-management foundations that the Group has built over time and the resilience of our diversified business model.

Against this backdrop, we remain confident in the delivery of the financial and strategic targets laid out back in February, to deliver at least a 10 per cent RoTE by 2024, if not earlier.

Our five strategic actions

In February we set out five strategic actions to help us achieve our 2024 targets.

Since then we have seen geopolitical and macroeconomic volatility that has adversely impacted the global economic environment. It appears at this stage that our markets have been less impacted than those in the West, and several are rebounding well from the COVID-19 pandemic. And you can see this coming through in our results. The five strategic actions remain highly appropriate and serve as catalysts for the whole organisation. I am extremely pleased with the progress that we have made since we made these commitments.

CCIB: drive improved returns

In CCIB we are going to drive improved returns, targeting an improvement in Income return on risk weighted assets by 160 basis points. In the first six months of the year, Income return on risk weighted assets was 6.0 per cent, already a 110 basis points improvement from 2021. This was driven by strong growth in income from Financial Institution clients, up 16 per cent, which now accounts for 44 per cent of CCIB income. In addition, the CCIB team successfully delivered around a third of their $22 billion 3-year RWA optimisation target, in the first half of the year, enabling the business to remain well under their RWA target for 2024.

CPBB: transform profitability

The CPBB team has made steady early progress on their journey to transform profitability, with the cost-to-income ratio down 2 percentage points so far this year to 72 per cent. Of the $500 million, three-year gross expenses saving target, CPBB is targeting to deliver $200 million in 2022 and has delivered half of that so far. Actions taken include a further 31 branch closures, and CPBB is executing plans to deliver the remainder of this year's target.

The business also continues to onboard a very healthy number of new clients through partners, with over 350,000 added so far this year. This is a key contributor in driving growth in the number of mass retail clients. As we go into the second half of 2022, CPBB should see tailwinds from both interest rates and hopefully an improving Wealth Management outlook should COVID-19 restrictions ease which will help the cost income ratio further.

Seize China opportunity

China presents the Group with one of its biggest strategic opportunities over the coming years and our China business delivered its best ever first half income performance this year. Our CCIB business made good progress and China network income grew strongly along a number of key corridors in ASEAN, up 36 per cent and South Asia, up 24 per cent. We saw strong growth particularly in flows to Singapore, India and Bangladesh. In addition, there was strong growth in both sustainable finance income and income from new economy clients.

Unsurprisingly, our CPBB business in China has faced headwinds with large scale COVID-19 lockdowns and weaker market sentiment impacting Wealth Management. Despite this, we continue to make great progress with our focus on digital partnerships with a number of new launches including JD.com and WeBank.

The long-term prospects from the structural shifts relating to China opening its financial and capital markets remain intact. We believe we are in a unique position to capitalise on the significant opportunities from this opening, and are investing $50 million this year, in both onshore and offshore capabilities, as part of the overall $300 million three-year investment plan, to further strengthen our position.

Creating operational leverage

Expense efficiency is core to enabling us to create positive operating leverage, whilst creating capacity for us to continue investing into strategic initiatives, and here we have already delivered around $200 million of the $1.3 billion gross structural cost savings target.

Substantial shareholder distributions

Finally, we plan to return in excess of $5 billion of capital to our shareholders over the next three years and are dynamically managing our CET1 ratio within our 13 to 14 per cent target range. So far this year we have completed a $750 million share buy-back and have just announced a new $500 million buy-back which will start imminently. These buy-backs together with our $119 million interim dividend will put us on a good trajectory to deliver our $5 billion target.

Strategic priorities and the Network

At the start of 2021, we also set out our four strategic priorities; continue to grow our Network business, continue to grow our Affluent business, return to growth in Mass Retail and advance on all fronts of our Sustainability agenda. We are making good progress in every area.

Given the changing economic environment, I'll drill down a bit on our Network business. The Group's unique and differentiated network continues to be a source of competitive advantage through which we facilitate investment, trade and capital flows for our clients. Network income, that is income booked outside a client's headquarter country, is around 55 per cent of CCIB income and is up strongly so far this year, with 14 per cent year-on-year growth, with all of our main trade corridors showing good progress.

Network income is highly attractive for us. It produces higher returns for the Group, with an Income return on risk weighed assets of 7.2 per cent, 120 basis points higher than the CCIB average. Asia is the largest originator of Network income, with $1.1 billion of income for the first six months of the year, which was up 14 per cent. Intra-Asia corridors account for around three quarters of this, with growth of 10 per cent, with China being the largest single network market. The fastest growing regional corridor out of Asia was East to West, which was up 39 per cent.

Europe and Americas Network income of $1 billion was up 10 per cent, with more than half into Asia, with particularly strong growth in the ASEAN and South Asia corridors, up 22 per cent. Lastly, Africa and Middle East generates about $0.3 billion of Network income for the Group and is also an important corridor for Europe and Americas and Asia.

And whilst the overall Network picture is a positive for the Group, we are also taking action as we sharpen our focus on the most significant opportunities for growth, while also simplifying our business. To that end, back in April we announced that we are exiting the onshore operations in seven markets and focusing solely on the CCIB segment in two additional markets. This will allow us to refocus resources in the AME region into new markets, like Saudi Arabia and Egypt, as well as ongoing investments into several of our larger markets in sub-Saharan Africa, building on the strong corporate, retail and digital banking operations we have in those markets.

Sustainability

We continue to see strong income momentum in our Sustainable Finance business with income up 43 per cent and asset growth of 11 per cent year-on-year. Our pipeline continues to build, and we remain confident in delivering our $1 billion income ambition in the medium term.

The Russia/Ukraine war is creating some negative sentiment for sustainable finance as companies and countries are having to switch supplies to meet their needs. Volatility and higher prices in core commodities will also impact supply chain issues at renewable companies. However, this is likely to accelerate the climate transition in the medium term, with energy independence now becoming a security issue.

I am excited by the appointment of Marisa Drew as our Chief Sustainability Officer (CSO). Marisa is a highly experienced CSO, and she will lead the newly created CSO organisation across sustainability strategy, client solutions and our net zero programme. We continue to implement our ambitious net zero pathway, including those enhancements we announced in March.

We are also continuing to demonstrate our thought leadership with the release of our 'Just in Time' report that investigated the cost and socio-economic implications of a net-zero carbon transition. Emerging markets are most in need of capital and require almost $95 trillion to effect their transition. The funding needed is significant and reaching net zero in our markets will therefore be no mean feat. However, we remain optimistic in our ability to play a pivotal role in supporting this just and sustainable transition.

Ventures

Lastly, looking at the new Ventures segment. We've built-up a diverse portfolio of over 30 ventures and 20 plus investments across six high conviction themes which provide optionality for our future and we are making meaningful progress across a number of areas.

We now have over 1.2 million customers across the various ventures, including over 350,000 customers in Mox, our Hong Kong virtual bank, up 100,000 in the second quarter alone. The total value of customer assets across the various platforms is now almost $2.5 billion with transaction flows of around $8 billion in the first six months of this year.

Our recently announced partnership with SBI Holdings will help us accelerate growth of Solv, the B2B digital marketplace for Micro, Small and Medium Enterprises.

We also have in the pipeline some exciting new ventures that are close to launch. Trust, our second separately licenced digital bank in Asia, in partnership with NTUC is in beta testing and plans to go-live in the next couple of months. Our plug-and-play banking as a service solution, Nexus, now has regulatory approval for launch in Indonesia, which is planned imminently, and we are looking at expanding this to a second market. We will provide further updates in the year.

As you can see, since its creation, Ventures has come a long way, with promising future potential.

Concluding remarks

We've delivered a strong financial performance in the first half of the year and we are making very encouraging early progress against the five strategic actions we laid out in February. Looking forward, whilst recession risks are rising in the West, we are seeing the early stages of a post-pandemic recovery in many of the markets in which we operate, underpinning our prospects for growth. We have the right strategy, business model and ambition to deliver our 2024 targets. The Management Team and I remain focused on delivering these targets while we create exceptional long-term value for the Group.

Bill Winters
Group Chief Executive

Group Chief Financial Officer's review

The Group delivered a strong performance in the first six months of 2022

Summary of financial performance

	1H'22 $million	1H'21 $million	Change %	Constant currency change[1] %	2Q'22 $million	2Q'21 $million	Change %	Constant currency change[1] %	1Q'22 $million	Change %	Constant currency change[1] %
Net interest income	**3,642**	3,375	8	12	**1,852**	1,713	8	13	1,790	3	6
Other income	**4,558**	4,243	7	10	**2,074**	1,976	5	9	2,484	(17)	(15)
Underlying operating income	**8,200**	7,618	8	11	**3,926**	3,689	6	11	4,274	(8)	(6)
Other operating expenses	**(5,272)**	(5,086)	(4)	(7)	**(2,636)**	(2,592)	(2)	(7)	(2,636)	–	(3)
UK bank levy	**5**	(6)	183	200	**5**	(6)	183	200	–	nm[3]	nm[3]
Underlying operating expenses	**(5,267)**	(5,092)	(3)	(7)	**(2,631)**	(2,598)	(1)	(6)	(2,636)	–	(3)
Underlying operating profit before impairment and taxation	**2,933**	2,526	16	18	**1,295**	1,091	19	21	1,638	(21)	(20)
Credit impairment	**(267)**	47	nm[3]	nm[3]	**(67)**	67	(200)	nm[3]	(200)	67	57
Other impairment	**(2)**	(25)	92	92	**(1)**	(9)	89	90	(1)	–	–
Profit from associates and joint ventures	**153**	134	14	16	**90**	87	3	5	63	43	43
Underlying profit before taxation	**2,817**	2,682	5	7	**1,317**	1,236	7	8	1,500	(12)	(13)
Restructuring	**(45)**	(123)	63	63	**(37)**	(90)	59	60	(8)	nm[3]	nm[3]
Statutory profit before taxation	**2,772**	2,559	8	10	**1,280**	1,146	12	13	1,492	(14)	(15)
Taxation	**(684)**	(631)	(8)	(18)	**(371)**	(317)	(17)	(19)	(313)	(19)	(15)
Profit for the period	**2,088**	1,928	8	8	**909**	829	10	11	1,179	(23)	(23)
Net interest margin (%)[2]	**1.32**	1.22	10		**1.35**	1.22	13		1.29	6	
Underlying return on tangible equity (%)[2]	**10.1**	9.9	20		**8.9**	8.0	90		11.2	(230)	
Underlying earnings per share (cents)	**63.4**	58.3	9		**28.2**	24.8	14		34.8	(19)	

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

Summary of Statutory financial performance

	1H'22 $million	1H'21 $million	Change %	Constant currency change[1] %	2Q'22 $million	2Q'21 $million	Change %	Constant currency change[1] %	1Q'22 $million	Change %	Constant currency change[1] %
Net interest income	**3,638**	3,369	8	12	**1,850**	1,711	8	13	1,788	3	6
Other income	**4,587**	4,259	8	11	**2,083**	1,978	5	10	2,504	(17)	(15)
Statutory operating income	**8,225**	7,628	8	11	**3,933**	3,689	7	11	4,292	(8)	(6)
Statutory operating expenses	**(5,328)**	(5,221)	(2)	(6)	**(2,663)**	(2,693)	1	(4)	(2,665)	–	(3)
Statutory operating profit before impairment and taxation	**2,897**	2,407	20	23	**1,270**	996	28	30	1,627	(22)	(21)
Credit impairment	**(263)**	51	nm[3]	nm[3]	**(66)**	68	(197)	nm[3]	(197)	66	57
Other impairment	**(15)**	(40)	63	63	**(9)**	(12)	25	25	(6)	(50)	(50)
Profit from associates and joint ventures	**153**	141	9	9	**85**	94	(10)	(10)	68	25	25
Statutory profit before taxation	**2,772**	2,559	8	10	**1,280**	1,146	12	13	1,492	(14)	(15)
Taxation	**(684)**	(631)	(8)	(18)	**(371)**	(317)	(17)	(19)	(313)	(19)	(15)
Profit for the period	**2,088**	1,928	8	8	**909**	829	10	11	1,179	(23)	(23)
Net interest margin (%)[2]	**1.32**	1.22	10		**1.35**	1.22	13		1.29	6	
Statutory return on tangible equity (%)[2]	**9.9**	8.7	120		**8.7**	7.0	170		11.1	(240)	
Statutory earnings per share (cents)	**62.1**	54.8	13		**27.2**	22.1	23		34.6	(21)	

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

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

3 Not meaningful

The Group delivered a strong performance in the first half of 2022 as underlying profit before tax increased 7 per cent on a constant currency basis despite a non-recurrence of last year's net impairment release. Income grew 10 per cent on a constant currency basis excluding positive movements in Debit Valuation Adjustment (DVA) and adjusting for the non-repeat of 2021's IFRS9 interest income catch-up adjustment (IFRS9 adjustment). Volatile market conditions led to increased client demand for our Financial Markets capabilities and rising interest rates supported a strong expansion in the net interest margin. The Group generated 2 per cent positive income-to-cost jaws at constant currency excluding DVA as expenses rose 7 per cent on a constant currency basis. Credit impairment charges were equivalent to an annualised loan loss rate of 15 basis points, well below our medium-term guidance of 30 to 35 basis points. The Group remains well capitalised and highly liquid. The liquidity coverage ratio at 142 per cent is well above minimum regulatory requirements. The CET1 ratio of 13.9 per cent remains towards the top end of the 13 to 14 per cent target range, despite the completion a $750 million share buy-back programme announced in February, benefiting from a 6 per cent reduction in risk-weighted assets since 31 December 2021, enabling the imminent commencement of a new $500 million share buy-back programme.

- **Operating income** increased 8 per cent in the first half and was up 10 per cent on a constant currency basis excluding both a $121 million positive movement in DVA and the prior year $50 million IFRS9 adjustment. A record Financial Markets performance and an expansion in the net interest margin were partly offset by lower Wealth Management income
- **Net interest income** increased 8 per cent or 13 per cent on a constant currency basis and adjusting for the non-recurrence of 2021's IFRS9 adjustment. The net interest margin is 10 basis points higher year-on-year benefiting from rising interest rates
- **Other income** increased 7 per cent on both a reported basis and constant currency basis excluding the impact of positive movements in DVA, with a strong Financial Markets performance including $202 million from gains on mark-to-market liabilities from widening funding spreads. This was partially offset by lower Wealth Management income and reduced realisation gains within Treasury
- **Operating expenses excluding the UK bank levy** increased 4 per cent or 7 per cent on a constant currency basis. Expenses were up due to an increase in performance-related pay accruals, salary increases, and higher investment spend as the Group continued to develop its transformational digital capabilities. The cost-to-income ratio decreased 2 percentage points to 65 per cent excluding DVA and UK bank levy and the Group generated 2 per cent positive income-to-cost jaws at constant currency excluding DVA
- **Credit impairment** was a charge of $267 million, compared to a $47 million net release in the first half of 2021, representing an annualised loan loss rate of 15 basis points. Impairment charges relating to China Commercial Real Estate Stage 3 exposures totalled $237 million and there was a $70 million charge due to Sri Lanka's foreign currency sovereign grading downgrade. This is partly offset by a net $129 million release of management overlays. The remaining management overlay now totals $216 million with $90 million relating to COVID-19 and $126 million in relation to the China Commercial Real Estate sector
- **Other impairment** of $2 million, a reduction of $23 million, as a result of no further impairment charges relating to the aviation leasing portfolio
- **Profit from associates and joint ventures** increased 14 per cent to $153 million due to increased profits at China Bohai Bank
- Charges relating to **restructuring** decreased $78 million to $45 million, reflecting a non-recurrence of expenses relating to moving to new ways of working during COVID-19
- **Taxation** was $684 million on a statutory basis with an underlying year-to-date effective tax rate of 24.6 per cent, marginally up from the 1H'21 rate of 24.1 per cent reflecting a change in the geographic mix of profits
- **Underlying return on tangible equity (RoTE)** increased by 20 basis points to 10.1 per cent. Prior period RoTE has been restated to reflect a change in methodology in computing RoTE, with the change in the equity valuation of the Group's Ventures portfolio now incorporated as a normalising item to the profit in the period. This captures the change in the value of the Group's Ventures portfolio within the Group's primary return metric. This has increased the RoTE for 1H'21 from the previously reported 9.3 per cent to 9.9 per cent. The change in methodology has not had a material impact on the current period's RoTE. The 20 basis points increase year-on-year results from lower tangible equity reflecting shareholder distributions including share buy-backs, and adverse movements in reserves due to movements in interest rates and FX. Increased profits year-on-year are offset by the non-repeat of an unrealised gain in the prior year in relation to the valuation of the Ventures portfolio

Operating income by product

	1H'22 $million	1H'21 $million	Change %	Constant currency change[1] %	2Q'22 $million	2Q'21 $million	Change %	Constant currency change[1] %	1Q'22 $million	Change %	Constant currency change[1] %
Transaction Banking	**1,575**	1,422	11	14	**835**	709	18	22	740	13	15
Trade & Working Capital[2,3]	**705**	710	(1)	2	**343**	363	(6)	(2)	362	(5)	(3)
Cash Management	**870**	712	22	25	**492**	346	42	46	378	30	34
Financial Markets[3]	**3,096**	2,576	20	23	**1,373**	1,268	8	11	1,723	(20)	(19)
Macro Trading	**1,604**	1,243	29	32	**664**	571	16	21	940	(29)	(28)
Credit Markets[3]	**834**	913	(9)	(7)	**374**	484	(23)	(21)	460	(19)	(16)
Credit Trading	**197**	233	(15)	(15)	**87**	102	(15)	(12)	110	(21)	(19)
Financing Solutions & Issuance[3]	**637**	680	(6)	(4)	**287**	382	(25)	(23)	350	(18)	(16)
Structured Finance[3]	**196**	228	(14)	(13)	**102**	128	(20)	(20)	94	9	9
Financing & Securities Services	**342**	193	77	80	**198**	86	130	121	144	38	36
DVA	**120**	(1)	nm[4]	nm[4]	**35**	(1)	nm[4]	nm[4]	85	(59)	(57)
Lending & Portfolio Management[2,3]	**282**	361	(22)	(20)	**136**	188	(28)	(26)	146	(7)	(6)
Wealth Management	**988**	1,200	(18)	(16)	**458**	554	(17)	(15)	530	(14)	(12)
Retail Products	**1,804**	1,695	6	11	**955**	846	13	19	849	12	16
CCPL & other unsecured lending	**618**	640	(3)	–	**313**	320	(2)	3	305	3	6
Deposits	**611**	442	38	45	**363**	209	74	84	248	46	50
Mortgage & Auto	**482**	515	(6)	(2)	**235**	268	(12)	(7)	247	(5)	(2)
Other Retail Products	**93**	98	(5)	(2)	**44**	49	(10)	(4)	49	(10)	(4)
Treasury	**522**	394	32	37	**205**	137	50	58	317	(35)	(34)
Other[3]	**(67)**	(30)	(123)	(25)	**(36)**	(13)	(177)	(14)	(31)	(16)	3
Total underlying operating income	**8,200**	7,618	8	11	**3,926**	3,689	6	11	4,274	(8)	(6)

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

2 Following a reorganisation, there has been a reclassification of balances from Lending & Portfolio Management into Trade & Working Capital including prior period numbers. Prior periods have been re-presented and there is no change in the total income

3 Income related to Group Special Asset Management, the Group's specialist recovery unit previously reported in Other products has been allocated to the relevant products. Prior periods have been re-presented and there is no change in total income

4 Not meaningful

Transaction Banking income increased 11 per cent. Cash Management was up 22 per cent benefiting from margin expansion on the back of recent interest rate rises, balance sheet growth and increased fee income. Trade & Working Capital was down 1 per cent, but up 2 per cent excluding the impact of currency translation, with balance sheet growth offset by margin compression reflecting abundant market liquidity and a shift towards lower margin but more RWA efficient products.

Financial Markets income increased 20 per cent or 17 per cent excluding DVA and the non-repeat of the prior year IFRS9 adjustment. Macro trading increased 29 per cent with FX income delivering strong double-digit growth as macro events led to increased client demand and elevated volatility, widening bid-offer spreads. Commodities also delivered strong double-digit growth, including a record first quarter, when it benefited from volatility in energy prices, while Rates also recorded a double-digit increase in income. Credit Markets income decreased 9 per cent with strong growth in origination and distribution activities in tough market conditions more than offset by widening credit spreads. Structured Finance declined 14 per cent with lower fee income within Aviation Finance. Financing & Securities Services income increased 77 per cent, including $202 million from gains on mark-to-market liabilities which are expected to reverse once funding spreads normalise.

Lending and Portfolio Management income decreased 22 per cent, or 18 per cent excluding the impact of last years' IFRS9 adjustment, with RWA optimisation actions driving loan sale losses and a reduction in IPO-related lending.

Wealth Management income declined 18 per cent in comparison to a record performance in the first half of 2021. Customer sentiment became more risk-averse in volatile market conditions leading to lower transaction volumes as well as from the impact of COVID-19 restrictions, in particular in North Asia, resulting in a number of branch closures and lower footfall which negatively impacted face-to-face sales. Managed Investments income was down a third, there was a double-digit decline in Treasury Products income while Bancassurance income was flat. Negative market movements reduced assets under management volumes whilst net new sales remained positive albeit at a lower level than the first half of 2021.

Retail Products income increased 6 per cent on a reported basis and was up 11 per cent on a constant currency basis. Deposits income increased 38 per cent as the higher interest rate environment widened margins and higher volumes when the impact of currency translation is excluded. Mortgages & Auto income declined 2 per cent on a constant currency basis with margin compression as a result of increased funding costs and lower fees due to a slowdown in sales in North Asia. Credit Cards & Personal Loans income was flat on a constant currency basis with strong growth in Credit Card balances offset by lower fee income, in particular in Hong Kong which has seen activity levels disrupted by COVID-19.

Treasury income increased 32 per cent, with net interest income up 75 per cent, benefiting from an increase in hedged balances and an increased return on assets as interest rates rose in several markets, partly offset by a $85 million reduction in realisation gains to $34 million.

Profit before tax by client segment and geographic region

	1H'22 $million	1H'21 $million	Change %	Constant currency change[2] %	2Q'22 $million	2Q'21 $million	Change %	Constant currency change[2] %	1Q'22 $million	Change %	Constant currency change[2] %
Corporate, Commercial & Institutional Banking	**1,967**	1,821	8	10	**868**	936	(7)	(5)	1,099	(21)	(20)
Consumer Private & Business Banking[1]	**720**	853	(16)	(13)	**348**	353	(1)	4	372	(6)	(4)
Ventures[1]	**(151)**	(123)	(23)	(26)	**(74)**	(84)	12	9	(77)	4	4
Central & other items (segment)[1]	**281**	131	115	101	**175**	31	nm[3]	nm[3]	106	65	34
Underlying profit before taxation	**2,817**	2,682	5	7	**1,317**	1,236	7	8	1,500	(12)	(13)
Asia	**1,862**	2,239	(17)	(15)	**955**	1,005	(5)	(2)	907	5	5
Africa & Middle East	**581**	475	22	28	**279**	285	(2)	5	302	(8)	(2)
Europe & Americas	**704**	337	109	109	**192**	104	85	80	512	(63)	(62)
Central & other items (region)	**(330)**	(369)	11	2	**(109)**	(158)	31	14	(221)	51	44
Underlying profit before taxation	**2,817**	2,682	5	7	**1,317**	1,236	7	8	1,500	(12)	(13)

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

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

3 Not meaningful

As part of the ongoing execution of its refreshed strategy, the Group has expanded and reorganised its reporting structure with the creation of a third client segment, Ventures, effective on 1 January 2022. Ventures is a consolidation of SC Ventures and its related entities as well as the Group's two majority-owned digital banks Mox in Hong Kong and Trust in Singapore. It is reported alongside the current client segments; Corporate, Commercial & Institutional Banking (CCIB) serving larger companies and institutions and Consumer, Private & Business Banking (CPBB) serving individual and business banking clients. There is no change to the regional reporting structure.

CCIB income increased 14 per cent, or 12 per cent excluding both movements in DVA and the prior year IFRS9 adjustment, with Financial Markets income up 17 per cent on a normalised basis and Cash Management income up 22 per cent. Profits grew 8 per cent with increased income partly offset by 5 per cent higher expenses and $332 million increase in credit impairment charges.

CPBB profit declined 16 per cent or 13 per cent on a constant currency basis. Income declined 3 per cent and was flat on a constant currency basis with lower Wealth Management income offset by increased Deposit income on the back of improved margins. Expenses increased 5 per cent on a constant currency basis while impairments reduced by $14 million.

Ventures loss increased to $151 million, reflecting the Group's continued investment in transformational digital initiatives with a 24 per cent increase in expenses.

Central & other items (segment) profit more than doubled to $281 million with income up 25 per cent due to higher Treasury income. Profits from China Bohai Bank also increased.

Asia profits decreased 17 per cent with credit impairments increasing by $351 million reflecting charges relating to the China Commercial Real Estate sector and the foreign currency sovereign grading downgrade of Sri Lanka. A 4 per cent increase in income on a constant currency basis was offset by a 6 per cent increase in expenses on a constant currency basis.

Africa & Middle East profits increased 22 per cent to $581 million, our highest half-year profit performance in the last six years. Income increased 8 per cent on a constant currency basis and there was a $99 million net impairment release partly offset by 3 per cent increase in expenses on a constant currency basis.

Europe & Americas profit more than doubled as income grew 46 per cent, or 39 per cent excluding movements in DVA with a strong performance in Financial Markets including gains on mark-to-market liabilities from widening funding spreads. Expenses increased 9 per cent on a constant currency basis while the net release in impairments reduced by $33 million to $29 million.

Central & other items (region) recorded a loss of $330 million, a reduction of $39 million, with income increasing $30 million and a non-recurrence of prior year other impairment partly offset by a $17 million increase in expenses.

Adjusted net interest income and margin

	1H'22 $million	1H'21 $million	Change[1] %	2Q'22 $million	2Q'21 $million	Change[1] %	1Q'22 $million	Change[1] %
Adjusted net interest income[2]	**3,697**	3,375	10	**1,888**	1,705	11	1,809	4
Average interest-earning assets	**565,335**	557,215	1	**561,493**	558,089	1	569,220	(1)
Average interest-bearing liabilities	**527,104**	513,805	3	**524,273**	517,939	1	529,966	(1)
Gross yield (%)[3]	**2.06**	1.85	21	**2.21**	1.86	35	1.92	29
Rate paid (%)[3]	**0.80**	0.69	11	**0.92**	0.69	23	0.68	24
Net yield (%)[3]	**1.26**	1.16	10	**1.29**	1.17	12	1.24	5
Net interest margin (%)[3,4]	**1.32**	1.22	10	**1.35**	1.22	13	1.29	6

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 increased 10 per cent driven by an 8 per cent increase in the net interest margin which averaged 132 basis points in the first half, increasing 10 basis points year-on-year or 13 basis points adjusting for the non-repeat of 2021's catch-up IFRS9 interest income adjustment. The net interest margin increased 6 basis points quarter-on-quarter in the second quarter to 135 basis points:

- Average interest-earning assets declined 1 per cent in the quarter and were broadly flat excluding the impact of currency translation and RWA optimisation actions. Gross yields increased 29 basis points compared with the average in the prior quarter due to the impact of rising interest rates on customer loan pricing and on Treasury portfolio yields
- Average interest-bearing liabilities decreased 1 per cent in the quarter impacted by currency translation, whilst the rate paid on liabilities increased 24 basis points reflecting the impact of rising interest rates on the rate paid on Retail time deposits and Corporate deposits as well as the interest paid on Treasury external funding

Credit risk summary

Income Statement

	1H'22 $million	1H'21 $million	Change[1] %	2Q'22 $million	2Q'21 $million	Change[1] %	1Q'22 $million	Change[1] %
Total credit impairment charge/(release)	**267**	(47)	(668)	**67**	(67)	(200)	200	(67)
Of which stage 1 and 2	**(10)**	(105)	(90)	**71**	(70)	(201)	(81)	(188)
Of which stage 3	**277**	58	378	**(4)**	3	(233)	281	(101)

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

Balance sheet

	30.06.22 $million	31.03.22 $million	Change[1] %	31.12.21 $million	Change[1] %	30.06.21 $million	Change[1] %
Gross loans and advances to customers[2]	**298,728**	301,066	(1)	304,122	(2)	303,982	(2)
Of which stage 1	**279,136**	280,021	–	279,178	–	277,290	1
Of which stage 2	**12,539**	13,823	(9)	16,849	(26)	17,634	(29)
Of which stage 3	**7,053**	7,222	(2)	8,095	(13)	9,058	(22)
Expected credit loss provisions	**(5,220)**	(5,281)	(1)	(5,654)	(8)	(5,979)	(13)
Of which stage 1	**(502)**	(475)	6	(473)	6	(447)	12
Of which stage 2	**(385)**	(430)	(10)	(524)	(27)	(544)	(29)
Of which stage 3	**(4,333)**	(4,376)	(1)	(4,657)	(7)	(4,988)	(13)
Net loans and advances to customers	**293,508**	295,785	(1)	298,468	(2)	298,003	(2)
Of which stage 1	**278,634**	279,546	–	278,705	–	276,843	1
Of which stage 2	**12,154**	13,393	(9)	16,325	(26)	17,090	(29)
Of which stage 3	**2,720**	2,846	(4)	3,438	(21)	4,070	(33)
Cover ratio of stage 3 before/after collateral (%)[3]	**61/80**	61/78	0/2	58/75	3/5	55/75	6/5
Credit grade 12 accounts ($million)	**835**	988	(15)	1,730	(52)	1,623	(49)
Early alerts ($million)	**7,524**	6,653	13	5,534	36	8,970	(16)
Investment grade corporate exposures (%)[3]	**71**	69	2	69	2	63	8

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

2 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $7,894 million at 30 June 2022, $12,571 million at 31 March 2022, $7,331 million at 31 December 2021 and $4,584 million at 30 June 2021

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

Asset quality remained resilient in the half, with an improvement in a number of underlying credit metrics despite a year-on-year increase in the impairment charge. However, the Group continues to remain alert to an unpredictable and challenging external environment including the continued impact of COVID-19 in key markets, pressures in the China commercial real estate sector, commodity price volatility and the impact of the Russia/Ukraine war. This war in part contributed to both commodity price volatility and the accelerated trajectory of inflation and interest rate rises across our footprint, which in turn have supported both an increased risk of global recession and the appreciation of the US dollar versus the majority of developed and emerging market currencies.

Credit impairment was a $267 million charge in the first half, compared to a net $47 million release in the first half of 2021, and represents an annualised loan loss rate of 15 basis points which is below the Group's medium-term guidance of 30-35 basis points.

The $10 million release in stage 1 and 2 impairment reflects revised macroeconomic outlook, continued delinquency-related charge-offs and post model adjustments for multiple economic scenarios in CPBB offset by a net $129 million release from management overlays, $18 million of which was is in stage 3. There was a $160 million reduction in the COVID-19 element of the overlay partly offset by a $31 million increase in the element relating to the China Commercial Real Estate sector. Management overlays total $216 million as at 30 June 2022, with $126 million relating to the China Commercial Real Estate sector and the COVID-19 element totalling $90 million.

Stage 3 impairments of $277 million includes $237 million relating to China Commercial Real Estate exposures and $70 million relating to the foreign currency sovereign grading downgrade of Sri Lanka, partly offset by releases relating to select stage 3 provisions within CCIB.

Gross stage 3 loans and advances to customers of $7.1 billion were down $1 billion compared with 31 December 2021 primarily due to repayments, loan sales, client upgrades and write-offs partly offset by the foreign currency sovereign grading downgrade of Sri Lanka as Sri Lanka suspended external debt payments. These credit-impaired loans represented 2.4 per cent of gross loans and advances, a decrease of 30 basis points compared with 31 December 2021.

The stage 3 cover ratio of 61 per cent increased 3 percentage points compared with the position as at 31 December 2021, and the cover ratio post collateral at 80 per cent was up 5 percentage points, with both ratios increasing due to a few material accounts that were either upgraded or sold and additional stage 3 provisions.

Credit grade 12 balances have more than halved since 31 December 2021 to $835 million reflecting the downgrade of foreign currency sovereign grading of Sri Lanka into stage 3 and client upgrades out of credit grade 12.

Early Alert accounts of $7.5 billion have increased by $2.0 billion since 31 December 2021, primarily relating to the volatility seen in the China Commercial Real Estate sector and uncertainties driven by the Russia/Ukraine war. The Group is continuing to carefully monitor its exposures in vulnerable sectors and select markets, given the unusual stresses caused by the currently challenging macro-economic environment.

The proportion of investment-grade corporate exposures has increased by 2 percentage points since 31 December 2021 to 71 per cent due to high-quality origination.

Restructuring, goodwill impairment and other items

	1H'22 Restructuring $million	1H'21 Restructuring $million
Operating income	**25**	10
Operating expenses	**(61)**	(129)
Credit impairment	**4**	4
Other impairment	**(13)**	(15)
Profit from associates and joint ventures	**–**	7
Loss before taxation	**(45)**	(123)

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 $45 million primarily relate to redundancies partly offset by income from the Principal Finance and Ship Leasing portfolios.

The Group has announced the exit of seven markets in the AME region and will focus solely on the CCIB segment in two more. It is expected that the results from the markets and businesses being exited will be reported in restructuring when the exit process is further advanced.

Balance sheet and liquidity

	30.06.22 $million	31.03.22 $million	Change %	31.12.21 $million	Change %	30.06.21 $million	Change[1] %
Assets							
Loans and advances to banks	**36,201**	35,638	2	44,383	(18)	45,188	(20)
Loans and advances to customers	**293,508**	295,785	(1)	298,468	(2)	298,003	(2)
Other assets	**506,208**	507,694	–	484,967	4	452,719	12
Total assets	**835,917**	839,117	–	827,818	1	795,910	5
Liabilities							
Deposits by banks	**31,173**	28,930	8	30,041	4	30,567	2
Customer accounts	**453,742**	456,404	(1)	474,570	(4)	441,147	3
Other liabilities	**301,310**	301,943	–	270,571	11	271,339	11
Total liabilities	**786,225**	787,277	–	775,182	1	743,053	6
Equity	**49,692**	51,840	(4)	52,636	(6)	52,857	(6)
Total equity and liabilities	**835,917**	839,117	–	827,818	1	795,910	5
Advances-to-deposits ratio (%)[2]	**59.6%**	60.0%		59.1%		64.0%	
Liquidity coverage ratio (%)	**142.0%**	140.0%		143.0%		146.0%	

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

2 The Group now excludes $16,918 million held with central banks (31.03.22: $11,970 million, 31.12.21: $15,168 million, 30.06.21: $16,213 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 banks were 18 per cent or $8 billion lower from 31 December 2021 to $36 billion due to a reduction in Treasury loans and Financial Institutions Trade loans
- Loans and advances to customers decreased 2 per cent since 31 December 2021 to $294 billion, but grew 4 per cent on an underlying basis, or $10 billion, excluding the impact of adverse currency translation and risk-weighted asset optimisation actions undertaken by CCIB in the half. The underlying growth was driven by an increase in Treasury and Trade loan balances
- Customer accounts of $454 billion declined 4 per cent since 31 December 2021 and were down an underlying $7 billion excluding the impact of currency translation due to client activities and management action resulting in the rolling off of certain non-operational deposits
- Other assets increased 4 per cent since 31 December 2021 with increased derivative balances and unsettled trade balances. Other liabilities increased 11 per cent from increased derivative liabilities, cash collateral liabilities and unsettled trade liabilities

The advances-to-deposits ratio increased to 59.6 per cent from 59.1 per cent at 31 December 2021 reflecting the outflow of customer accounts in the half. The liquidity coverage ratio decreased 1 percentage point to 142 per cent and remains well above the minimum regulatory requirement of 100 per cent.

Risk-weighted assets

	30.06.22 $million	31.03.22 $million	Change[1] %	31.12.21 $million	Change[1] %	30.06.21 $million	Change[1] %
By risk type							
Credit risk	**205,179**	210,637	(3)	219,588	(7)	229,348	(11)
Operational risk	**27,177**	27,177	–	27,116	–	27,116	–
Market risk	**22,726**	23,019	(1)	24,529	(7)	23,763	(4)
Total RWAs	**255,082**	260,833	(2)	271,233	(6)	280,227	(9)

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

Total risk-weighted assets (RWA) decreased 6 per cent or $16.2 billion since 31 December 2021 to $255.1 billion:

- Credit risk RWA decreased by $14.4 billion in the first half to $205.2 billion. There was a $8.1 billion reduction from currency translation, a $6.9 billion reduction in the CCIB low-returning portfolio targeted for optimisation, $7.5 billion from other RWA efficiency actions and $5.8 billion impact from positive credit migration. This was partly offset by a $5.8 billion increase from regulatory changes and $8.1 billion increase from a combination of asset growth and mix
- Operational risk RWA was broadly flat at $27.2 billion
- Market risk RWA decreased by $1.8 billion to $22.7 billion reflecting reduced standardised specific interest rate risk positions, and changes in value at risk methodology

Capital base and ratios

	30.06.22 $million	31.03.22 $million	Change[1] %	31.12.21 $million	Change[1] %	30.06.21 $million	Change[1] %
CET1 capital	**35,373**	36,296	(3)	38,362	(8)	39,589	(11)
Additional Tier 1 capital (AT1)	**5,244**	5,235	–	6,791	(23)	6,293	(17)
Tier 1 capital	**40,617**	41,531	(2)	45,153	(10)	45,882	(11)
Tier 2 capital	**13,020**	13,505	(4)	12,491	4	13,279	(2)
Total capital	**53,637**	55,036	(3)	57,644	(7)	59,161	(9)
CET1 capital ratio (%)[2]	**13.9**	13.9	–	14.1	(0.2)	14.1	(0.2)
Total capital ratio (%)[2]	**21.0**	21.1	(0.1)	21.3	(0.3)	21.1	(0.1)
Leverage ratio (%)[2]	**4.5**	4.4	0.1	4.9	(0.4)	5.2	(0.7)

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 13.9 per cent was 28 basis points lower than at 31 December 2021, but 42 basis points above the CET1 ratio at 1 January 2022 when regulatory changes, which reduced the Group's CET1 ratio, came into force. The underlying 42 basis points increase reflects approximately 150 basis points uplift from the impact of RWA optimisation actions and profit accretion during the half despite funding a $750 million share buyback. The CET1 ratio is 3.7 percentage points above the Group's latest regulatory minimum of 10.2 per cent and towards the top of the 13-14 per cent medium-term target range.

The regulatory changes which came into force on 1 January 2022, include the cessation of software relief, the impact from the IRB model repair programme and the introduction of standardised rules for counterparty credit risk on derivatives and other instruments (SA-CCR). In aggregate, these regulatory changes resulted in a decrease in the CET1 ratio of approximately 70 basis points by reducing CET1 capital by $1.1 billion and increasing RWAs by $5.8 billion.

The CET1 ratio was reduced by 57 basis points from a reduction in reserves mainly relating to a reversal of prior year unrealised gains on debt securities as a result of higher market yields and movements in currency translation reducing both the translation reserve and RWAs.

The Board has recommended a proposed interim 2022 ordinary share dividend of 4 cents a share for the first half of the year which is calculated formulaically at one-third of the prior year's full-year dividend, reducing the CET1 ratio by approximately 4 basis points.

The Group spent $754 million purchasing 111 million ordinary shares of $0.50 each during the first half, representing a volume-weighted average price per share of £5.18. These shares were subsequently cancelled, reducing the total issued share capital by 4 per cent and the CET1 ratio by 27 basis points.

The Board has decided to carry out an additional share buy-back commencing imminently for up to a maximum consideration of $500 million to further reduce the number of ordinary shares in issue by cancelling the repurchased shares. The terms of the buy-back will be announced and the programme will start shortly and is expected to reduce the Group's CET1 ratio in the third quarter of 2022 by approximately 20 basis points.

The Group's leverage ratio of 4.5 per cent is 35 basis points lower than the 4.9 per cent ratio as at 31 December 2021. This reflects lower Tier 1 capital from the reduction in both CET1 capital and a call of $1 billion of AT1 balances as well as increased leverage exposures driven by asset growth. The Group's leverage ratio remains significantly above its minimum requirement of 3.7 per cent.

Outlook

The start to 2022 has been strong, albeit external conditions remain difficult to predict. Taking account of current performance and the external environment, our updated guidance for FY'22 is that we expect:

- Income ex DVA growth of around 10 per cent at constant currency; adverse currency translation impact currently estimated at $0.4 billion
- Further NIM progression in the second half of the year taking the outlook for the full year average to be around 140 basis points and 160 basis points for 2023
- Expenses excluding UK bank levy of around $10.6 billion; inclusive of favourable currency translation impact currently estimated at $0.3 billion
- Risk-weighted assets to be broadly similar to FY'21 on a constant currency basis
- Credit impairment in FY'22 to normalise towards the medium-term loan-loss rate of 30-35 basis points
- To operate dynamically within the full 13-14 per cent CET1 target range

We are on track to deliver 10 per cent return on tangible equity by 2024, if not earlier.

Andy Halford
Group Chief Financial Officer

29 July 2022

Supplementary financial information

Underlying performance by client segment

	1H'22				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items $million	Total $million
Operating income	4,877	2,871	5	447	8,200
External	4,581	2,612	5	1,002	8,200
Inter-segment	296	259	–	(555)	–
Operating expenses	(2,714)	(2,071)	(146)	(336)	(5,267)
Operating profit/(loss) before impairment losses and taxation	2,163	800	(141)	111	2,933
Credit impairment	(196)	(79)	(3)	11	(267)
Other impairment	–	(1)	–	(1)	(2)
Profit/(loss) from associates and joint ventures	–	–	(7)	160	153
Underlying profit/(loss) before taxation	1,967	720	(151)	281	2,817
Restructuring	(4)	(21)	(1)	(19)	(45)
Statutory profit/(loss) before taxation	1,963	699	(152)	262	2,772
Total assets	427,483	134,979	1,371	272,084	835,917
Of which: loans and advances to customers[2]	192,439	132,275	342	29,418	354,474
loans and advances to customers	134,154	132,233	342	26,779	293,508
loans held at fair value through profit or loss (FVTPL)	58,285	42	–	2,639	60,966
Total liabilities	500,400	179,637	770	105,418	786,225
Of which: customer accounts[2]	321,517	175,747	689	9,058	507,011
Risk-weighted assets	154,177	52,518	1,043	47,344	255,082
Underlying return on tangible equity (%)	12.7	14.0	nm[3]	0.3	10.1
Cost-to-income ratio (%)	55.6	72.1	nm[3]	76.3	64.3

	1H'21				
	Corporate, Commercial & Institutional Banking[1] $million	Consumer, Private & Business Banking[1] $million	Ventures[1] $million	Central & other items[1] $million	Total $million
Operating income	4,292	2,971	(3)	358	7,618
External	4,087	2,775	(3)	759	7,618
Inter-segment	205	196	–	(401)	–
Operating expenses	(2,582)	(2,025)	(118)	(367)	(5,092)
Operating profit/(loss) before impairment losses and taxation	1,710	946	(121)	(9)	2,526
Credit impairment	136	(93)	–	4	47
Other impairment	(25)	–	–	–	(25)
Profit/(loss) from associates and joint ventures	–	–	(2)	136	134
Underlying profit/(loss) before taxation	1,821	853	(123)	131	2,682
Restructuring	(38)	(22)	–	(63)	(123)
Statutory profit/(loss) before taxation	1,783	831	(123)	68	2,559
Total assets	387,542	137,190	624	270,554	795,910
Of which: loans and advances to customers	197,732	134,281	10	23,153	355,176
loans and advances to customers	141,205	134,182	10	22,606	298,003
loans held at fair value through profit or loss (FVTPL)	56,527	99	–	547	57,173
Total liabilities	452,449	179,249	757	110,598	743,053
Of which: customer accounts[2]	307,619	174,862	695	8,416	491,592
Risk-weighted assets	174,393	56,162	518	49,154	280,227
Underlying return on tangible equity (%)	11.2	15.9	nm[3]	(2.6)	9.9
Cost-to-income ratio (%)	60.2	68.2	nm[3]	100.8	66.8

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

2 Customer accounts includes FVTPL and repurchase agreements

3 Not meaningful

Corporate, Commercial & Institutional Banking[1]

	1H'22 $million	1H'21 $million	Change[5] %	Constant currency change[4,5] %	2Q'22 $million	2Q'21 $million	Change[5] %	Constant currency change[4,5] %	1Q'22 $million	Change[5] %	Constant currency change[4,5] %
Operating income	**4,877**	4,292	14	16	**2,305**	2,131	8	11	2,572	(10)	(9)
Transaction Banking	**1,524**	1,377	11	14	**810**	685	18	22	714	13	16
Trade & Working Capital[2,3]	**674**	682	(1)	2	**328**	347	(5)	(2)	346	(5)	(3)
Cash Management	**850**	695	22	25	**482**	338	43	47	368	31	34
Financial Markets	**3,096**	2,576	20	23	**1,373**	1,268	8	11	1,723	(20)	(19)
Macro Trading	**1,604**	1,243	29	32	**664**	571	16	21	940	(29)	(28)
Credit Markets[3]	**834**	913	(9)	(7)	**374**	484	(23)	(21)	460	(19)	(16)
Credit Trading	**197**	233	(15)	(15)	**87**	102	(15)	(12)	110	(21)	(19)
Financing Solutions & Issuance[3]	**637**	680	(6)	(4)	**287**	382	(25)	(23)	350	(18)	(16)
Structured Finance[3]	**196**	228	(14)	(13)	**102**	128	(20)	(20)	94	9	9
Financing & Securities Services	**342**	193	77	80	**198**	86	130	121	144	38	36
DVA	**120**	(1)	nm[9]	nm[9]	**35**	(1)	nm[9]	nm[9]	85	(59)	(57)
Lending & Portfolio Management[2,3]	**262**	344	(24)	(22)	**124**	181	(31)	(29)	138	(10)	(8)
Other	**(5)**	(5)	–	–	**(2)**	(3)	33	–	(3)	33	–
Operating expenses	**(2,714)**	(2,582)	(5)	(8)	**(1,388)**	(1,294)	(7)	(11)	(1,326)	(5)	(7)
Operating profit before impairment losses and taxation	**2,163**	1,710	26	29	**917**	837	10	12	1,246	(26)	(25)
Credit impairment	**(196)**	136	nm[9]	nm[9]	**(49)**	108	(145)	(152)	(147)	67	61
Other impairment	**–**	(25)	100	100	**–**	(9)	100	100	–	nm[9]	nm[9]
Underlying profit before taxation	**1,967**	1,821	8	10	**868**	936	(7)	(5)	1,099	(21)	(20)
Restructuring	**(4)**	(38)	89	90	**(2)**	(39)	95	97	(2)	–	50
Statutory profit before taxation	**1,963**	1,783	10	12	**866**	897	(3)	(1)	1,097	(21)	(20)
Total assets	**427,483**	387,542	10	12	**427,483**	387,542	10	12	420,168	2	3
Of which: loans and advances to customers[6]	**192,439**	197,732	(3)	1	**192,439**	197,732	(3)	1	200,625	(4)	(2)
Total liabilities	**500,400**	452,449	11	13	**500,400**	452,449	11	13	489,720	2	4
Of which: customer accounts[6]	**321,517**	307,619	5	7	**321,517**	307,619	5	7	329,206	(2)	(1)
Risk-weighted assets	**154,177**	174,393	(12)	nm[9]	**154,177**	174,393	(12)	nm[9]	156,753	(2)	nm[9]
Underlying return on risk-weighted assets (%)[7]	**2.5**	2.2	30bps	nm[9]	**2.2**	2.2	–	nm[9]	2.7	(50)bps	nm[9]
Underlying return on tangible equity (%)[7]	**12.7**	11.2	150bps	nm[9]	**11.4**	11.2	20bps	nm[9]	14.0	(260)bps	nm[9]
Cost-to-income ratio (%)[8]	**55.6**	60.2	4.6	4.3	**60.2**	60.7	0.5	0.2	51.6	(8.6)	(9.2)

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

2 Following a reorganisation, there has been a reclassification of balances from Lending & Portfolio Management into Trade & Working Capital including prior period numbers. Prior periods have been re-presented and there is no change in the total income

3 Income related to Group Special Asset Management, the Group's specialist recovery unit previously reported in other products has been allocated to the relevant products. Prior periods have been re-presented and there is no change in total income

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

5 Variance is better/(worse), except for risk-weighted assets, assets and liabilities which is increase/(decrease)

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

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

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

9 Not meaningful

Performance highlights

- Underlying profit before tax of $1,967 million was up 8 per cent, driven by higher income partially offset by higher expenses and credit impairment
- Underlying operating income of $4,877 million was up 14 per cent (up 13 per cent at constant currency excluding the debit valuation adjustment), primarily as a result of higher income from the Macro businesses in Financial Markets and the positive impact of increased interest rates on Cash Management margins, partially offset by a decrease in Lending income
- Higher credit impairment, primarily from changes in China Commercial Real estate exposures and the sovereign ratings downgrade of Sri Lanka, was partially offset by recoveries and release of management overlays
- Risk-weighted assets were down $9 billion since 31 December 2021, mainly as a result of optimisation of lower returning portfolios, positive credit migration and favourable foreign exchange translation, partially offset by underlying asset growth and regulatory headwinds
- Return on tangible equity increased from 11.2 per cent to 12.7 per cent

Consumer, Private & Business Banking[1]

	1H'22 $million	1H'21 $million	Change[4] %	Constant currency change[3,4] %	2Q'22 $million	2Q'21 $million	Change[4] %	Constant currency change[3,4] %	1Q'22 $million	Change[4] %	Constant currency change[3,4] %
Operating income	**2,871**	2,971	(3)	–	**1,448**	1,438	1	5	1,423	2	4
Transaction Banking	**51**	45	13	13	**25**	24	4	4	26	(4)	–
Trade & Working Capital[2]	**31**	28	11	7	**15**	16	(6)	(6)	16	(6)	(6)
Cash Management	**20**	17	18	24	**10**	8	25	25	10	–	11
Lending & Portfolio Management[2]	**20**	17	18	25	**12**	7	71	57	8	50	22
Wealth Management	**988**	1,200	(18)	(16)	**458**	554	(17)	(15)	530	(14)	(12)
Retail Products	**1,799**	1,699	6	10	**951**	848	12	18	848	12	15
CCPL & other unsecured lending	**612**	641	(5)	(1)	**308**	321	(4)	1	304	1	5
Deposits	**612**	444	38	45	**363**	210	73	83	249	46	49
Mortgage & Auto	**482**	515	(6)	(2)	**235**	268	(12)	(7)	247	(5)	(2)
Other Retail Products	**93**	99	(6)	(2)	**45**	49	(8)	(2)	48	(6)	(4)
Other	**13**	10	30	44	**2**	5	(60)	(40)	11	(82)	(73)
Operating expenses	**(2,071)**	(2,025)	(2)	(5)	**(1,054)**	(1,039)	(1)	(5)	(1,017)	(4)	(6)
Operating profit before impairment losses and taxation	**800**	946	(15)	(13)	**394**	399	(1)	4	406	(3)	–
Credit impairment	**(79)**	(93)	15	12	**(45)**	(46)	2	(2)	(34)	(32)	(39)
Other impairment	**(1)**	–	nm[8]	nm[8]	**(1)**	–	nm[8]	nm[8]	–	nm[8]	nm[8]
Underlying profit before taxation	**720**	853	(16)	(13)	**348**	353	(1)	4	372	(6)	(4)
Restructuring	**(21)**	(22)	5	–	**(14)**	(13)	(8)	(15)	(7)	(100)	(114)
Statutory profit before taxation	**699**	831	(16)	(13)	**334**	340	(2)	3	365	(8)	(6)
Total assets	**134,979**	137,190	(2)	4	**134,979**	137,190	(2)	4	138,063	(2)	1
Of which: loans and advances to customers[5]	**132,275**	134,281	(1)	4	**132,275**	134,281	(1)	4	135,333	(2)	1
Total liabilities	**179,637**	179,249	–	5	**179,637**	179,249	–	5	182,197	(1)	1
Of which: customer accounts[5]	**175,747**	174,862	1	5	**175,747**	174,862	1	5	177,953	(1)	1
Risk-weighted assets	**52,518**	56,162	(6)	nm[8]	**52,518**	56,162	(6)	nm[8]	53,463	(2)	nm[8]
Underlying return on risk-weighted assets (%)[6]	**2.7**	3.1	(40)bps	nm[8]	**2.5**	2.5	–	nm[8]	2.8	(30)bps	nm[8]
Underlying return on tangible equity (%)[6]	**14.0**	15.9	(190)bps	nm[8]	**13.6**	13.0	60bps	nm[8]	14.4	(80)bps	nm[8]
Cost-to-income ratio (%)[7]	**72.1**	68.2	(3.9)	(4.0)	**72.8**	72.3	(0.5)	(0.3)	71.5	(1.3)	(1.1)

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2 Following a reorganisation, there has been a reclassification of balances from Lending & Portfolio Management into Trade & Working Capital including prior period numbers. Prior periods have been re-presented and there is no change in the total income

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

8 Not meaningful

Performance highlights

- Underlying profit before tax of $720 million was down 16 per cent, driven by lower income, higher expenses and higher credit impairments
- Underlying operating income of $2,871 million was down 3 per cent (flat on a constant currency basis) as the macroeconomic environment in some key markets impacted the performance of Wealth Management. This was mostly offset by a 38 per cent increase in Retail Deposit income, due to higher margins and increased volumes
- Loans and advances to customers were down 2 per cent (but up 1 per cent on a constant currency basis) since 31 March 2022
- Return on tangible equity decreased from 15.9 per cent to 14.0 per cent

Ventures[1]

	1H'22 $million	1H'21 $million	Change[3] %	Constant currency change[2,3] %	2Q'22 $million	2Q'21 $million	Change[3] %	Constant currency change[2,3] %	1Q'22 $million	Change[3] %	Constant currency change[2,3] %
Operating income	5	(3)	nm[7]	nm[7]	4	(1)	nm[7]	nm[7]	1	nm[7]	nm[7]
Retail Products	5	(4)	nm[7]	nm[7]	4	(2)	nm[7]	nm	1	nm[7]	nm[7]
CCPL & other unsecured lending	6	(1)	nm[7]	nm[7]	5	(1)	nm[7]	nm[7]	1	nm[7]	nm[7]
Deposits	(1)	(2)	50	67	–	(1)	100	100	(1)	100	100
Other Retail Products	–	(1)	100	nm[7]	(1)	–	nm[7]	(100)	1	(200)	nm[7]
Other	–	1	(100)	(100)	–	1	(100)	(100)	–	nm[7]	nm[7]
Operating expenses	(146)	(118)	(24)	(26)	(74)	(82)	10	6	(72)	(3)	(6)
Operating loss before impairment losses and taxation	(141)	(121)	(17)	(19)	(70)	(83)	16	13	(71)	1	1
Credit impairment	(3)	–	nm[7]	nm[7]	–	–	nm[7]	nm[7]	(3)	100	100
Other impairment	–	–	nm[7]	nm[7]	–	–	nm[7]	nm[7]	–	nm[7]	nm[7]
Loss from associates and joint ventures	(7)	(2)	nm[7]	nm[7]	(4)	(1)	nm[7]	nm	(3)	(33)	(33)
Underlying loss before taxation	(151)	(123)	(23)	(26)	(74)	(84)	12	9	(77)	4	4
Restructuring	(1)	–	nm[7]	nm[7]	(1)	–	nm[7]	nm[7]	–	nm[7]	nm[7]
Statutory loss before taxation	(152)	(123)	(24)	(27)	(75)	(84)	11	7	(77)	3	3
Total assets	1,371	624	120	121	1,371	624	120	121	1,115	23	24
Of which: loans and advances to customers[4]	342	10	nm[7]	nm[7]	342	10	nm[7]	nm[7]	115	197	197
Total liabilities	770	757	2	3	770	757	2	3	693	11	11
Of which: customer accounts[4]	689	695	(1)	–	689	695	(1)	–	621	11	11
Risk-weighted assets	1,043	518	101	nm[7]	1,043	518	101	nm[7]	876	19	nm[7]
Underlying return on risk-weighted assets (%)[5]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]
Underlying return on tangible equity (%)[5]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]
Cost-to-income ratio (%)[6]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]	nm[7]

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

7 Not meaningful

Performance highlights

- Underlying loss before tax of $151 million increased 23 per cent, driven mainly by higher expenses as we continue to invest in new and existing ventures
- Loans and advances to customers increased almost three-fold since 31 March 2022, due to customer growth and higher engagement

Central & other items (segment)

	1H'22 $million	1H'21 $million	Change[3] %	Constant currency change[2,3] %	2Q'22 $million	2Q'21 $million	Change[3] %	Constant currency change[2,3] %	1Q'22 $million	Change[3] %	Constant currency change[2,3] %
Operating income	**447**	358	25	39	**169**	121	40	76	278	(39)	(36)
Treasury	**522**	394	32	37	**205**	137	50	58	317	(35)	(34)
Other	**(75)**	(36)	(108)	(26)	**(36)**	(16)	(125)	(3)	(39)	8	21
Operating expenses	**(336)**	(367)	8	(6)	**(115)**	(183)	37	17	(221)	48	38
Operating Profit/(loss) before impairment losses and taxation	**111**	(9)	nm[7]	nm[7]	**54**	(62)	187	176	57	(5)	(30)
Credit impairment	**11**	4	175	200	**27**	5	nm[7]	200	(16)	nm[7]	nm
Other impairment	**(1)**	–	nm[7]	nm[7]	**–**	–	nm[7]	nm[7]	(1)	100	100
Profit from associates and joint ventures	**160**	136	18	19	**94**	88	7	8	66	42	42
Underlying profit before taxation	**281**	131	115	101	**175**	31	nm[7]	nm[7]	106	65	34
Restructuring	**(19)**	(63)	70	69	**(20)**	(38)	47	49	1	nm[7]	nm[7]
Goodwill impairment	**–**	–	nm[7]	nm[7]	**–**	–	nm[7]	nm[7]	–	nm[7]	nm[7]
Other items	**–**	–	nm[7]	nm[7]	**–**	–	nm[7]	nm[7]	–	nm[7]	nm[7]
Statutory Profit/(loss) before taxation	**262**	68	nm[7]	nm[7]	**155**	(7)	nm[7]	nm[7]	107	45	17
Total assets	**272,084**	270,554	1	5	**272,084**	270,554	1	5	279,771	(3)	(1)
Of which: loans and advances to customers[4]	**29,418**	23,153	27	33	**29,418**	23,153	27	33	27,979	5	11
Total liabilities	**105,418**	110,598	(5)	(3)	**105,418**	110,598	(5)	(3)	114,667	(8)	(8)
Of which: customer accounts[4]	**9,058**	8,416	8	13	**9,058**	8,416	8	13	10,277	(12)	(10)
Risk-weighted assets	**47,344**	49,154	(4)	nm[7]	**47,344**	49,154	(4)	nm[7]	49,741	(5)	nm[7]
Underlying return on risk-weighted assets (%)[5]	**1.1**	0.5	60bps	nm[7]	**1.4**	0.2	120bps	nm[7]	0.8	60bps	nm[7]
Underlying return on tangible equity (%)[5]	**0.3**	(2.6)	290bps	nm[7]	**(0.3)**	(7.9)	760bps	nm[7]	0.9	(120)bps	nm[7]
Cost-to-income ratio (%)[6]	**76.3**	100.8	24.5	20.8	**71.0**	146.3	75.3	74.3	79.5	8.5	(1.4)

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

7 Not meaningful

Performance highlights

- Underlying profit before tax more than doubled to $281 million with higher operating income from Treasury and higher profits from our associate China Bohai Bank
- Underlying operating income from Treasury was up 32 per cent (37 per cent on a constant currency basis), mainly driven by improved net interest income from hedging activities and higher interest on assets repricing as rates rise, partially offset by lower realisation opportunities

Underlying performance by region

	1H'22				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	5,522	1,291	1,445	(58)	8,200
Operating expenses	(3,417)	(808)	(771)	(271)	(5,267)
Operating profit/(loss) before impairment losses and taxation	2,105	483	674	(329)	2,933
Credit impairment	(398)	99	29	3	(267)
Other impairment	(2)	(1)	1	–	(2)
Profit/(loss) from associates and joint ventures	157	–	–	(4)	153
Underlying profit/(loss) before taxation	1,862	581	704	(330)	2,817
Restructuring	(19)	(7)	(6)	(13)	(45)
Statutory profit/(loss) before taxation	1,843	574	698	(343)	2,772
Total assets	477,485	57,859	291,264	9,309	835,917
Of which: loans and advances to customers[1]	259,484	28,003	66,987	–	354,474
loans and advances to customers	243,169	26,656	23,683	–	293,508
loans held at fair value through profit or loss (FVTPL)	16,315	1,347	43,304	–	60,966
Total liabilities	431,424	42,672	243,877	68,252	786,225
Of which: customer accounts[1]	332,705	33,480	140,826	–	507,011
Risk-weighted assets	160,345	43,613	50,038	1,086	255,082
Underlying return on risk-weighted assets (%)[2]	2.2	2.5	2.8	nm[4]	2.1
Underlying return on tangible equity (%)[2]	11.8	13.1	14.5	nm[4]	10.1
Cost-to-income ratio (%)[3]	61.9	62.6	53.4	nm[4]	64.3

	1H'21				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	5,463	1,250	993	(88)	7,618
Operating expenses	(3,298)	(815)	(725)	(254)	(5,092)
Operating profit/(loss) before impairment losses and taxation	2,165	435	268	(342)	2,526
Credit impairment	(47)	40	62	(8)	47
Other impairment	(15)	–	7	(17)	(25)
Profit/(loss) from associates and joint ventures	136	–	–	(2)	134
Underlying profit/(loss) before taxation	2,239	475	337	(369)	2,682
Restructuring	(27)	(3)	(20)	(73)	(123)
Statutory profit/(loss) before taxation	2,212	472	317	(442)	2,559
Total assets	467,933	57,797	261,041	9,139	795,910
Of which: loans and advances to customers[1]	255,630	29,825	69,721	–	355,176
loans and advances to customers	240,297	27,256	30,450	–	298,003
loans held at fair value through profit or loss (FVTPL)	15,333	2,569	39,271	–	57,173
Total liabilities	418,583	39,464	213,713	71,293	743,053
Of which: customer accounts[1]	334,639	32,847	124,106	–	491,592
Risk-weighted assets	182,172	52,596	48,556	(3,097)	280,227
Underlying return on risk-weighted assets (%)[2]	2.5	1.9	1.4	nm[4]	1.9
Underlying return on tangible equity (%)[2]	13.4	9.7	7.2	nm[4]	9.9
Cost-to-income ratio (%)[3]	60.4	65.2	73.0	nm[4]	66.8

1 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements
2 Change is the basis points (bps) difference between the two periods rather than the percentage change
3 Change is the percentage points difference between the two periods rather than the percentage change
4 Not meaningful

Asia[1]

	1H'22 $million	1H'21 $million	Change[2] %	Constant currency change[1,2] %	2Q'22 $million	2Q'21 $million	Change[2] %	Constant currency change[1,2] %	1Q'22 $million	Change[2] %	Constant currency change[1,2] %
Operating income	**5,522**	5,463	1	4	**2,725**	2,646	3	7	2,797	(3)	–
Operating expenses	**(3,417)**	(3,298)	(4)	(6)	**(1,746)**	(1,726)	(1)	(5)	(1,671)	(4)	(7)
Operating profit before impairment losses and taxation	**2,105**	2,165	(3)	–	**979**	920	6	11	1,126	(13)	(11)
Credit impairment	**(398)**	(47)	nm[6]	nm[6]	**(113)**	11	nm[6]	nm[6]	(285)	60	53
Other impairment	**(2)**	(15)	87	87	**(2)**	(15)	87	88	–	nm[6]	nm[6]
Profit from associates and joint ventures	**157**	136	15	17	**91**	89	2	5	66	38	38
Underlying profit before taxation	**1,862**	2,239	(17)	(15)	**955**	1,005	(5)	(2)	907	5	5
Restructuring	**(19)**	(27)	30	32	**(10)**	(22)	55	62	(9)	(11)	11
Statutory profit before taxation	**1,843**	2,212	(17)	(14)	**945**	983	(4)	(1)	898	5	5
Total assets	**477,485**	467,933	2	7	**477,485**	467,933	2	7	475,917	–	3
Of which: loans and advances to customers[3]	**259,484**	255,630	2	7	**259,484**	255,630	2	7	263,871	(2)	2
Total liabilities	**431,424**	418,583	3	7	**431,424**	418,583	3	7	424,264	2	4
Of which: customer accounts[3]	**332,705**	334,639	(1)	3	**332,705**	334,639	(1)	3	334,813	(1)	2
Risk-weighted assets	**160,345**	182,172	(12)	nm[6]	**160,345**	182,172	(12)	nm[6]	163,447	(2)	nm[6]
Underlying return on risk-weighted assets (%)[4]	**2.2**	2.5	(30)	nm[6]	**2.3**	2.2	10	nm[6]	2.1	20	nm[6]
Underlying return on tangible equity (%)[4]	**11.8**	13.4	(160)	nm[6]	**12.3**	11.8	50	nm[6]	11.3	100	nm[6]
Cost-to-income ratio (%)[5]	**61.9**	60.4	(1.5)	(1.6)	**64.1**	65.2	1.1	1.3	59.7	(4.4)	(4.4)

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods
2 Variance is better/(worse), except for risk-weighted assets, assets and liabilities which is increase/(decrease)
3 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements
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5 Change is the percentage points difference between the two periods rather than the percentage change
6 Not meaningful

Performance highlights

- Underlying profit before tax of $1,862 million was down 17 per cent due to higher expenses and credit impairments, which more than offset higher income
- Underlying operating income of $5,522 million was up 1 per cent (up 4 per cent on a constant currency basis), predominantly driven by Cash Management and Retail Deposits, both benefiting from the increase in interest rates. This was partially offset by lower Wealth Management income as market conditions reduced transaction volumes, as well as the impact of COVID-19 restrictions impacting income in our key markets, Hong Kong and China
- Loans and advances to customers were down 2 per cent (up 2 per cent on a constant currency basis) since 31 March 2022, predominantly driven by Trade in Singapore, Korea and India and Retail unsecured loans and Mortgages in some of our key markets
- Risk-weighted assets were down $3 billion since 31 March 2022

Africa & Middle East

	1H'22 $million	1H'21 $million	Change[2] %	Constant currency change[1,2] %	2Q'22 $million	2Q'21 $million	Change[2] %	Constant currency change[1,2] %	1Q'22 $million	Change[2] %	Constant currency change[1,2] %
Operating income	**1,291**	1,250	3	8	**632**	660	(4)	1	659	(4)	–
Operating expenses	**(808)**	(815)	1	(3)	**(405)**	(422)	4	(1)	(403)	–	(3)
Operating profit before impairment losses and taxation	**483**	435	11	17	**227**	238	(5)	1	256	(11)	(5)
Credit impairment	**99**	40	148	138	**53**	47	13	26	46	15	17
Other impairment	**(1)**	–	nm[6]	nm[6]	**(1)**	–	nm[6]	nm[6]	–	nm[6]	nm[6]
Underlying profit before taxation	**581**	475	22	28	**279**	285	(2)	5	302	(8)	(2)
Restructuring	**(7)**	(3)	(133)	(133)	**(8)**	(2)	nm[6]	(150)	1	nm[6]	nm[6]
Statutory profit before taxation	**574**	472	22	27	**271**	283	(4)	3	303	(11)	(6)
Total assets	**57,859**	57,797	–	6	**57,859**	57,797	–	6	55,458	4	7
Of which: loans and advances to customers[3]	**28,003**	29,825	(6)	(2)	**28,003**	29,825	(6)	(2)	26,175	7	10
Total liabilities	**42,672**	39,464	8	14	**42,672**	39,464	8	14	43,287	(1)	1
Of which: customer accounts[3]	**33,480**	32,847	2	8	**33,480**	32,847	2	8	34,705	(4)	(1)
Risk-weighted assets	**43,613**	52,596	(17)	nm[6]	**43,613**	52,596	(17)	nm[6]	45,154	(3)	nm[6]
Underlying return on risk-weighted assets (%)[4]	**2.5**	1.9	60	nm[6]	**2.5**	2.2	30	nm[6]	2.6	(10)	nm[6]
Underlying return on tangible equity (%)[4]	**13.1**	9.7	340	nm[6]	**13.0**	11.4	160	nm[6]	13.2	(20)	nm[6]
Cost-to-income ratio (%)[5]	**62.6**	65.2	2.6	3.0	**64.1**	63.9	(0.2)	(0.1)	61.2	(2.9)	(2.0)

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6 Not meaningful

Performance highlights

- Underlying profit before tax of $581 million was up 22 per cent and is the highest half-yearly profit since 2015, mainly driven by increased income and a credit impairment release
- Underlying operating income of $1,291 million was 3 per cent higher (8 per cent higher on a constant currency basis), driven mainly by Financial Markets and Cash Management, with broad-based growth across most other products
- Loans and advances to customers were up 7 per cent and customer accounts were down 4 per cent, since 31 March 2022
- Risk-weighted assets were down $2 billion since 31 March 2022

Europe & Americas

	1H'22 $million	1H'21 $million	Change[2] %	Constant currency change[1,2] %	2Q'22 $million	2Q'21 $million	Change[2] %	Constant currency change[1,2] %	1Q'22 $million	Change[2] %	Constant currency change[1,2] %
Operating income	**1,445**	993	46	48	**588**	443	33	35	857	(31)	(31)
Operating expenses	**(771)**	(725)	(6)	(9)	**(390)**	(359)	(9)	(12)	(381)	(2)	(4)
Operating profit before impairment losses and taxation	**674**	268	151	151	**198**	84	136	129	476	(58)	(58)
Credit impairment	**29**	62	(53)	(53)	**(7)**	15	(147)	(147)	36	(119)	(119)
Other impairment	**1**	7	(86)	(86)	**1**	5	(80)	(80)	–	nm[6]	nm[6]
Underlying profit before taxation	**704**	337	109	109	**192**	104	85	80	512	(63)	(62)
Restructuring	**(6)**	(20)	70	68	**(9)**	(1)	nm[6]	nm[6]	3	nm[6]	nm[6]
Statutory profit before taxation	**698**	317	120	119	**183**	103	78	72	515	(64)	(64)
Total assets	**291,264**	261,041	12	13	**291,264**	261,041	12	13	298,207	(2)	(2)
Of which: loans and advances to customers[3]	**66,987**	69,721	(4)	(2)	**66,987**	69,721	(4)	(2)	74,006	(9)	(8)
Total liabilities	**243,877**	213,713	14	16	**243,877**	213,713	14	16	252,035	(3)	(3)
Of which: customer accounts[3]	**140,826**	124,106	13	15	**140,826**	124,106	13	15	148,539	(5)	(4)
Risk-weighted assets	**50,038**	48,556	3	nm[6]	**50,038**	48,556	3	nm[6]	49,619	1	nm[6]
Underlying return on risk-weighted assets (%)[4]	**2.8**	1.4	140	nm[6]	**1.5**	0.9	60	nm[6]	4.1	(260)	nm[6]
Underlying return on tangible equity (%)[4]	**14.5**	7.2	730	nm[6]	**8.0**	4.5	350	nm[6]	21.0	(1,300)	nm[6]
Cost-to-income ratio (%)[5]	**53.4**	73.0	19.6	19.1	**66.3**	81.0	14.7	13.8	44.5	(21.8)	(22.0)

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6 Not meaningful

Performance highlights

- Underlying profit before tax of $704 million more than doubled, predominantly driven by higher income
- Underlying operating income of $1,445 million was up 46 per cent (up 39 per cent excluding the impact of the debit valuation adjustment), driven by strong income growth in Financial Markets, mainly in Macro Trading (FX and Commodities) and also from gains on mark-to-market liabilities from widening funding spreads. Significantly higher deposit balances also drove growth in Cash Management income
- Loans and advances to customers were down 9 per cent and customer accounts were down 5 per cent since 31 March 2022

Central & other items (region)

	1H'22 $million	1H'21 $million	Change[2] %	Constant currency change[1,2] %	2Q'22 $million	2Q'21 $million	Change[2] %	Constant currency change[1,2] %	1Q'22 $million	Change2 %	Constant currency change[1,2] %
Operating income	**(58)**	(88)	34	41	**(19)**	(60)	68	71	(39)	51	51
Operating expenses	**(271)**	(254)	(7)	(29)	**(90)**	(91)	1	(51)	(181)	50	42
Operating loss before impairment losses and taxation	**(329)**	(342)	4	(7)	**(109)**	(151)	28	10	(220)	50	44
Credit impairment	**3**	(8)	138	133	**–**	(6)	100	100	3	(100)	(100)
Other impairment	**–**	(17)	100	100	**1**	1	–	–	(1)	200	200
Profit from associates and joint ventures	**(4)**	(2)	(100)	(100)	**(1)**	(2)	50	–	(3)	67	67
Underlying loss before taxation	**(330)**	(369)	11	2	**(109)**	(158)	31	14	(221)	51	44
Restructuring	**(13)**	(73)	82	82	**(10)**	(65)	85	86	(3)	nm[5]	(200)
Goodwill Impairment	**–**	–	nm[5]	nm[5]	**–**	–	nm[5]	nm[5]	–	nm[5]	nm[5]
Other items	**–**	–	nm[5]	nm[5]	**–**	–	nm[5]	nm[5]	–	nm[5]	nm[5]
Statutory loss before taxation	**(343)**	(442)	22	16	**(119)**	(223)	47	37	(224)	47	41
Total assets	**9,309**	9,139	2	3	**9,309**	9,139	2	3	9,535	(2)	(2)
Total liabilities	**68,252**	71,293	(4)	(4)	**68,252**	71,293	(4)	(4)	67,691	1	(1)
Risk-weighted assets	**1,086**	(3,097)	135	nm[5]	**1,086**	(3,097)	135	nm[5]	2,613	(58)	nm[5]
Underlying return on risk-weighted assets (%)[3]	**nm[5]**	nm[5]	nm[5]	nm[5]	**nm[5]**	nm[5]	nm[5]	nm[5]	nm[5]	nm[5]	nm[5]
Underlying return on tangible equity (%)[3]	**nm[5]**	nm[5]	nm[5]	nm[5]	**nm[5]**	nm[5]	nm[5]	nm[5]	nm[5]	nm[5]	nm[5]
Cost-to-income ratio (%)[4]	**nm[5]**	nm[5]	nm[5]	nm[5]	**nm[5]**	(141.7)	nm[5]	nm[5]	nm[5]	nm[5]	nm[5]

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3 Change is the basis points (bps) difference between the two periods rather than the percentage change
4 Change is the percentage points difference between the two periods rather than the percentage change
5 Not meaningful

Performance highlights

- Underlying loss before tax of $330 million compared to 1H'21 loss of $369 million was mainly due an improvement in income and a non-repeat of prior year aircraft lease impairments

Underlying performance by key market

	1H'22									
	Hong Kong $million	Korea $million	China $million	Taiwan $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Operating income	1,737	609	599	236	875	677	111	305	773	533
Operating expenses	(1,011)	(369)	(414)	(172)	(528)	(372)	(87)	(175)	(363)	(295)
Operating profit before impairment losses and taxation	726	240	185	64	347	305	24	130	410	238
Credit impairment	(306)	(9)	(99)	(7)	25	(1)	1	57	14	7
Other impairment	(1)	–	(1)	–	–	(1)	–	–	13	–
Profit from associates and joint ventures	–	–	157	–	–	–	–	–	–	–
Underlying profit before taxation	419	231	242	57	372	303	25	187	437	245
Total assets employed	170,036	65,985	38,548	22,780	95,651	30,613	5,492	20,929	213,255	61,700
Of which: loans and advances to customers[1]	84,187	43,499	16,688	11,227	58,445	16,624	1,938	9,351	43,445	19,179
Total liabilities employed	161,158	56,681	33,636	21,889	99,231	22,862	4,346	16,472	150,249	77,142
Of which: customer accounts[1]	133,000	43,900	24,159	18,915	71,765	14,621	2,815	12,330	95,933	35,475
Underlying return on tangible equity (%)	9.5	14.9	11.3	12.0	15.7	14.4	7.8	16.5	13.8	17.2
Cost to income ratio (%)	58.2	60.6	69.1	72.9	60.3	54.9	78.4	57.4	47.0	55.3

	1H'21									
	Hong Kong $million	Korea $million	China $million	Taiwan $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Operating income	1,844	580	569	258	818	613	109	276	484	389
Operating expenses	(970)	(387)	(364)	(174)	(523)	(348)	(90)	(179)	(340)	(280)
Operating profit before impairment losses and taxation	874	193	205	84	295	265	19	97	144	109
Credit impairment	(42)	8	(24)	3	69	19	(6)	28	25	14
Other impairment	(16)	–	–	–	–	–	–	–	30	–
Profit from associates and joint ventures	–	–	135	–	–	–	–	–	–	–
Underlying profit before taxation	816	201	316	87	364	284	13	125	199	123
Total assets employed	172,431	66,476	39,738	22,902	88,779	28,882	4,877	18,961	180,913	64,471
Of which: loans and advances to customers[1]	86,230	43,537	18,499	11,562	56,440	14,611	2,058	9,998	48,283	16,733
Total liabilities employed	162,983	57,206	34,658	21,848	86,302	20,674	3,567	13,856	130,551	69,891
Of which: customer accounts[1]	133,956	45,637	25,635	20,439	66,750	14,819	2,523	11,012	76,725	39,189
Underlying return on tangible equity (%)	19.1	10.3	14.9	17.4	14.4	11.1	3.4	10.3	6.5	8.9
Cost to income ratio (%)	52.6	66.7	64.0	67.4	63.9	56.8	82.6	64.9	70.2	72.0

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

Quarterly underlying operating income by product

	2Q'22 $million	1Q'22 $million	4Q'21 $million	3Q'21 $million	2Q'21 $million	1Q'21 $million	4Q'20 $million	3Q'20 $million
Transaction Banking	835	740	730	734	709	713	707	721
Trade & Working Capital[1,2]	343	362	348	389	363	347	304	311
Cash Management	492	378	382	345	346	366	403	410
Financial Markets[2]	1,373	1,723	1,012	1,311	1,268	1,308	949	1,178
Macro Trading	664	940	433	540	571	672	435	517
Credit Markets[2]	374	460	361	516	484	429	404	458
Credit Trading	87	110	60	144	102	131	119	129
Financing Solutions & Issuance[2]	287	350	301	372	382	298	285	329
Structured Finance[2]	102	94	104	159	128	100	102	101
Financing & Securities Services	198	144	97	97	86	107	77	124
DVA	35	85	17	(1)	(1)	–	(69)	(22)
Lending & Portfolio Management[1,2]	136	146	184	214	188	173	168	178
Wealth Management	458	530	466	559	554	646	442	572
Retail Products	955	849	835	828	846	849	848	859
CCPL & other unsecured lending	313	305	316	316	320	320	303	309
Deposits	363	248	213	205	209	233	271	301
Mortgage & Auto	235	247	261	260	268	247	234	211
Other Retail Products	44	49	45	47	49	49	40	38
Treasury	205	317	155	149	137	257	92	40
Other[2]	(36)	(31)	(52)	(30)	(13)	(17)	(7)	(29)
Total underlying operating income	3,926	4,274	3,330	3,765	3,689	3,929	3,199	3,519

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

2 Income related to Group Special Asset Management, the Group's specialist recovery unit previously reported in other products has been allocated to the relevant products. Prior periods have been re-presented and there is no change in total income

Earnings per ordinary share

	1H'22 $million	1H'21 $million	Change %	2Q'22 $million	2Q'21 $million	Change %	1Q'22 $million	Change %
Profit for the period attributable to equity holders	**2,088**	1,928	8	**909**	829	10	1,179	(23)
Non-controlling interest	**1**	(14)	nm[1]	**4**	(6)	nm[1]	(3)	nm[1]
Dividend payable on preference shares and AT1 classified as equity	**(216)**	(196)	(10)	**(94)**	(132)	29	(121)	22
Profit for the period attributable to ordinary shareholders	**1,873**	1,718	9	**819**	691	19	1,055	(22)
Items normalised:								
Restructuring	**45**	123	(63)	**37**	90	(59)	8	nm[1]
Tax on normalised items	**(8)**	(15)	47	**(5)**	(8)	38	(3)	(67)
Underlying profit	**1,910**	1,826	5	**851**	773	10	1,060	(20)
Basic – Weighted average number of shares (millions)	**3,014**	3,133	nm[1]	**3,014**	3,121	nm[1]	3,047	nm[1]
Diluted - Weighted average number of shares (millions)	**3,069**	3,185	nm[1]	**3,069**	3,169	nm[1]	3,098	nm[1]
Basic earnings per ordinary share (cents)[2]	**62.1**	54.8	7.3	**27.2**	22.1	5.1	34.6	(7.5)
Diluted earnings per ordinary share (cents)[2]	**61.0**	53.9	7.1	**26.7**	21.8	4.9	34.1	(7.4)
Underlying basic earnings per ordinary share (cents)[2]	**63.4**	58.3	5.1	**28.2**	24.8	3.5	34.8	(6.6)
Underlying diluted earnings per ordinary share (cents)[2]	**62.2**	57.3	4.9	**27.7**	24.4	3.3	34.2	(6.5)

1 Not meaningful

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

Return on Tangible Equity

	1H'22 $million	1H'21[3] $million	Change %	2Q'22 $million	2Q'21[3] $million	Change %	Q1'22[3] $million	Change %
Average parent company Shareholders' Equity	**45,106**	46,242	(2)	**44,617**	46,460	(4)	45,595	(2)
Less Preference share premium	**(1,494)**	(1,494)	–	**(1,494)**	(1,494)	–	(1,494)	–
Less Average intangible assets	**(5,503)**	(5,098)	(8)	**(5,519)**	(5,129)	(8)	(5,487)	(1)
Average Ordinary Shareholders' Tangible Equity	**38,109**	39,650	(4)	**37,604**	39,837	(6)	38,614	(3)
Profit/(loss) for the period attributable to equity holders	**2,088**	1,928	8	**909**	829	10	1,179	(23)
Non-controlling interests	**1**	(14)	nm[1]	**4**	(6)	nm[1]	(3)	nm[1]
Dividend payable on preference shares and AT1 classified as equity	**(216)**	(196)	(10)	**(94)**	(132)	29	(121)	22
Profit/(loss) for the period attributable to ordinary shareholders	**1,873**	1,718	9	**819**	691	19	1,055	(22)
Items normalised:								
Restructuring	**45**	123	(63)	**37**	90	(59)	8	nm[1]
Ventures FVOCI unrealised gains/(losses) net of tax	**(9)**	116	nm[1]	**(15)**	20	nm[1]	6	nm[1]
Tax on normalised items	**(8)**	(15)	47	**(5)**	(8)	38	(3)	(67)
Underlying profit for the period attributable to ordinary shareholders[2]	**1,901**	1,942	(2)	**836**	793	5	1,066	(22)
Underlying Return on Tangible Equity	**10.1%**	9.9%	20bps	**8.9%**	8.0%	90bps	11.2%	(230)bps
Statutory Return on Tangible Equity	**9.9%**	8.7%	120bps	**8.7%**	7.0%	170bps	11.1%	(240)bps

1 Not meaningful
2 Includes unrealised gains/(losses) from Ventures FVOCI
3 Comparatives have been restated to include unrealised gains/(losses) from Ventures FVOCI

Net Tangible Asset Value per Share

	30.06.22 $million	30.06.21 $million	Change %	31.12.21 $million	Change %	31.03.22 $million	Change %
Parent company shareholders' equity	**44,055**	46,752	(6)	46,011	(4)	45,178	(2)
Less Preference share premium	**(1,494)**	(1,494)	–	(1,494)	–	(1,494)	–
Less Intangible assets	**(5,537)**	(5,187)	(7)	(5,471)	(1)	(5,502)	(1)
Net shareholders tangible equity	**37,024**	40,071	(8)	39,046	(5)	38,182	(3)
Ordinary shares in issue, excluding own shares (millions)	**2,967**	3,119	(5)	3,057	(3)	2,993	(1)
Net Tangible Asset Value per share (cents)[1]	**1,248**	1,285	(37)	1,277	(29)	1,276	(28)

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

Underlying versus statutory results reconciliations

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

Operating income by client segment

	1H'22				
	Corporate, Commercial & Institutional Banking $million	Consumer Private & Business Banking $million	Ventures $million	Central & Other items (segment) $million	Total $million
Underlying operating income	4,877	2,871	5	447	8,200
Restructuring	25	–	–	–	25
Statutory operating income	4,902	2,871	5	447	8,225

	1H'21				
	Corporate, Commercial & Institutional Banking[1] $million	Consumer Private & Business Banking[1] $million	Ventures $million	Central & Other items (segment) $million	Total $million
Underlying operating income	4,292	2,971	(3)	358	7,618
Restructuring	12	–	–	(2)	10
Statutory operating income	4,304	2,971	(3)	356	7,628

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

Operating income by region

	1H'22				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Underlying operating income	5,522	1,291	1,445	(58)	8,200
Restructuring	10	1	(1)	15	25
Statutory operating income	5,532	1,292	1,444	(43)	8,225

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

Profit before taxation (PBT)

	1H'22		
	Underlying $million	Restructuring $million	Statutory $million
Operating income	8,200	25	8,225
Operating expenses	(5,267)	(61)	(5,328)
Operating profit/(loss) before impairment losses and taxation	2,933	(36)	2,897
Credit impairment	(267)	4	(263)
Other impairment	(2)	(13)	(15)
Profit from associates and joint ventures	153	–	153
Profit/(loss) before taxation	2,817	(45)	2,772

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

Profit before taxation (PBT) by client segment

	1H'22				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items $million	Total $million
Operating income	4,877	2,871	5	447	8,200
External	4,581	2,612	5	1,002	8,200
Inter-segment	296	259	–	(555)	–
Operating expenses	(2,714)	(2,071)	(146)	(336)	(5,267)
Operating profit/(loss) before impairment losses and taxation	2,163	800	(141)	111	2,933
Credit impairment	(196)	(79)	(3)	11	(267)
Other impairment	–	(1)	–	(1)	(2)
Profit/(loss) from associates and joint ventures	–	–	(7)	160	153
Underlying profit/(loss) before taxation	1,967	720	(151)	281	2,817
Restructuring	(4)	(21)	(1)	(19)	(45)
Statutory profit/(loss) before taxation	1,963	699	(152)	262	2,772

	1H'21				
	Corporate, Commercial & Institutional Banking[1] $million	Consumer, Private & Business Banking[1] $million	Ventures[1] $million	Central & other items[1] $million	Total $million
Operating income	4,292	2,971	(3)	358	7,618
External	4,087	2,775	(3)	759	7,618
Inter-segment	205	196	–	(401)	–
Operating expenses	(2,582)	(2,025)	(118)	(367)	(5,092)
Operating profit/(loss) before impairment losses and taxation	1,710	946	(121)	(9)	2,526
Credit impairment	136	(93)	–	4	47
Other impairment	(25)	–	–	–	(25)
Profit/(loss) from associates and joint ventures	–	–	(2)	136	134
Underlying profit/(loss) before taxation	1,821	853	(123)	131	2,682
Restructuring	(38)	(22)	–	(63)	(123)
Statutory profit/(loss) before taxation	1,783	831	(123)	68	2,559

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

Profit before taxation (PBT) by region

	1H'22				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	5,522	1,291	1,445	(58)	8,200
Operating expenses	(3,417)	(808)	(771)	(271)	(5,267)
Operating profit/(loss) before impairment losses and taxation	2,105	483	674	(329)	2,933
Credit impairment	(398)	99	29	3	(267)
Other impairment	(2)	(1)	1	–	(2)
Profit/(loss) from associates and joint ventures	157	–	–	(4)	153
Underlying profit/(loss) before taxation	1,862	581	704	(330)	2,817
Restructuring	(19)	(7)	(6)	(13)	(45)
Statutory profit/(loss) before taxation	1,843	574	698	(343)	2,772

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

Return on tangible equity (RoTE)

	1H'22				
	Corporate, Commercial & Institutional Banking %	Consumer Private & Business Banking %	Ventures %	Central & other Items (Segment) %	Total %
Underlying RoTE	**12.7**	**14.0**	**nm**	**0.3**	**10.1**
Restructuring					
Of which: Income	**0.2**	**–**	**–**	**–**	**0.1**
Of which: Expenses	**(0.3)**	**(0.5)**	**(2.8)**	**(0.3)**	**(0.3)**
Of which: Credit impairment	**–**	**–**	**–**	**–**	**–**
Of which: Other impairment	**–**	**–**	**–**	**(0.3)**	**(0.1)**
Of which: Profit from associates and joint ventures	**–**	**–**	**–**	**–**	**–**
Ventures FVOCI unrealised gains/(losses) net of tax	**–**	**–**	**25.2**	**–**	**–**
Tax on normalised items	**0.1**	**0.1**	**0.7**	**–**	**0.1**
Statutory RoTE	**12.7**	**13.6**	**nm**	**(0.3)**	**9.9**

	1H'21				
	Corporate, Commercial & Institutional Banking[1] %	Consumer Private & Business Banking[1] %	Ventures[1] %	Central & other Items (Segment)[1] %	Total %
Underlying RoTE	11.2	15.9	nm	(2.6)	9.9
Restructuring					
Of which: Income	0.1	–	–	(0.1)	0.1
Of which: Expenses	(0.4)	(0.5)	–	(1.6)	(0.7)
Of which: Credit impairment	–	–	–	–	–
Of which: Other impairment	–	–	–	(0.4)	(0.1)
Of which: Profit from associates and joint ventures	–	–	–	0.2	–
Ventures FVOCI unrealised gains/(losses) net of tax	–	–	nm	–	(0.6)
Tax on normalised items	–	0.1	–	–	0.1
Statutory RoTE	10.9	15.5	nm	(4.5)	8.7

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

Earnings per ordinary share (EPS)

	6 months ended 30.06.22						
	Underlying $million	Provision for regulatory matters $million	Restructuring $million	Net gain on Sale of Businesses $million	Goodwill impairment $million	Tax on normalised items $million	Statutory $million
Profit for the year attributable to ordinary shareholders	**1,910**	**–**	**(45)**	**–**	**–**	**8**	**1,873**
Basic – Weighted average number of shares (millions)	**3,014**						**3,014**
Basic earnings per ordinary share (cents)	**63.4**						**62.1**

	6 months ended 30.06.21						
	Underlying $million	Provision for regulatory matters $million	Restructuring $million	Net gain on Sale of Businesses $million	Goodwill impairment $million	Tax on normalised items $million	Statutory $million
Profit for the year attributable to ordinary shareholders	1,826	–	(123)	–	–	15	1,718
Basic – Weighted average number of shares (millions)	3,133						3,133
Basic earnings per ordinary share (cents)	58.3						54.8

Alternative performance measures

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

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

Group Chief Risk Officer's review

"Staying vigilant in the face of volatile global markets"

The first half of 2022 has been a challenging period from a macroeconomic and geopolitical perspective driven by the ongoing Russia/Ukraine war. The Group has limited direct exposure to Russia and Ukraine. However, we are managing risks that we face through indirect exposure and second order impact, such as increased energy and food prices or disrupted gas supplies for our clients, the impact from sanctions on asset values and investments some of our clients have in Russia. We are also managing the increase in traded risks following increased volatility in other markets especially credit and commodities. Regular stress tests were performed during the first half of 2022 to assess the impact of the war across the Group's portfolio. We have established a Russia/Ukraine Crisis Monitoring Group to consider all aspects of the crisis and how direct and indirect risks to the Group can be mitigated.

In China, new waves of the COVID-19 pandemic saw cities being locked down, impacting global supply chains, global economic recovery and market volatility across a number of sectors including China Commercial real estate. Amid rising inflationary pressures, slower than expected post-pandemic recovery and recession risks, central banks are increasingly coming under pressure to raise interest rates to reduce inflation. The longer-term impact of the pandemic, exacerbated by the ongoing Russia/Ukraine war and elevated global commodity prices, has led to growing pressure on sovereign ratings. Sri Lanka defaulted in April 2022, which culminated in the suspension of its public foreign currency debt repayments. Sovereigns with large fiscal deficits and high stocks of public debt are exposed to higher borrowing costs, making it more challenging to reduce debt burdens and improve fiscal positions. In some cases, borrowing costs may become prohibitive for emerging market sovereigns to issue new debt. The risk of further sovereign rating downgrades and the potential for additional default events are being closely monitored and actively managed by the Group.

For our Consumer Banking business, consumer affordability in the wake of rising interest rates is a key area of focus. We have conducted interest rate sensitivity analysis on our residential mortgage portfolio. For our Credit Card and Personal Loans portfolio, we are monitoring Consumer Price Inflation impact and vulnerability to commodity supply chain issues across our markets to identify areas that have been impacted by inflationary pressures, mainly arising from the Russia/Ukraine war. Where appropriate, we have tightened underwriting to incorporate stricter income requirements. We will continue to monitor the markets and portfolio performance data for signs of deterioration and identify segments for targeted actions.

We continue to scan the horizon for emerging and topical risks and collaborate with internal and external partners to proactively mitigate risks as they are identified. Further details on how we manage emerging and topical risks can be found on pages 40 to 45.

Asset quality has been maintained though we remain vigilant in the face of volatile global markets. 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 in part to the COVID-19 pandemic and Russia/Ukraine war, non-financial risks areas such as Fraud, Data Management, Information and Cyber Security, Third Party, Technology, People and Change Management remain heightened. We continue to enhance our operational resilience and defences against these risks through vigorous improvement programmes. We are also working to ensure a successful transition from the Interbank Offered Rate (IBOR) to alternative risk-free rates.

On 10 June 2022, the Group and other major UK banks published their resolvability disclosures, alongside the Bank of England's public assessment of the industry's preparations for resolution. The Bank of England's overall conclusion was that the major UK banks could now enter resolution safely and that the 'too big to fail' problem has been overcome for these banks. No deficiencies were identified by the Bank of England on the Group's resolution capability but there were some shortcomings and areas for further enhancements which the Group is focusing on.

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.

In 2021, 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, with interim 2030 targets for the most carbon-intensive sectors. We are working with public and private sector stakeholders to mobilise $300 billion of capital to help accelerate net zero in markets where it is most needed and most impactful. We have a Transition Finance Framework to guide our clients to a low carbon pathway and specialist bankers to help them act on it, and our position statements set out our expectations and requirements from clients in relation to sustainability. We have also prioritised the integration of Environmental and Social risk management into our Reputational and Sustainability Risk Type Framework.

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 risk management and risk assessment approaches across our Principal Risk Types to address the unique risks posed by them. 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 and sustainability concerns through green products. As part of our aim to Reset Globalisation, we believe we have a strategic role to play in equipping the Web 3-enabled economy, a concept representing the latest generation of internet applications and services powered by distributed ledger technology such as blockchain, and by taking a leading position through the thoughtful adoption of Digital Assets in support of our clients and communities. We continue to enhance and embed our Digital Assets Risk Management Program[1] such that digital asset activities across the Group are appropriately managed, and within our Risk Appetite.

+ Read more about our three Stands in the full Annual Report. Further details on our overall approach to net zero can be found at sc.com/netzero

An update on our key risk priorities

2022 continued to present 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 our key priorities, these being:

Strengthening the Group's risk culture and conduct: We remain committed to promoting a healthy risk culture and driving the highest standards of 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, drawing enhanced Conduct Risk insights through the development of better conduct analytics as part of the new Conduct Risk management approach. As Conduct Risk may arise from anywhere in the Group at any time, conduct outcomes should always be considered when material strategic decisions are made that may impact clients, investors, shareholders, counterparties, employees, markets, and competition.

Ensuring sustainability of enhanced information and cyber security (ICS) capabilities: We have refreshed the Group ICS Risk Strategy supporting dynamic Cyber Risk management and ensuring our Risk Appetite influences our business decisions, as we continue to embed ICS as an intrinsic part of our innovation and growth. We continue to strengthen our end-to-end ICS risk management capabilities with the deployment of the Threat Scenario-led Risk Assessment (TSRA) to business and functions, with roll-out to countries continuing to accelerate. TSRA enables far greater visibility and accountability over the risks and controls specific to those entities, based on potential impacts as a result of threats.

Developing our internal talent pool is also vital to supporting critical ICS capabilities, ensuring we embed diversity at the core of our mission through initiatives such as our Cyber Acceleration Programme (CAP), a mentorship programme for women comprises of a structured curriculum to develop cyber-specific knowledge and targeted mentoring from senior leaders. We are also driving the application and measurement of risk culture as applied to Information and Cyber Security, embedding culture into the ICS Risk Type Framework and continuing to evolve ICS training for the Board, Management Team and other critical colleagues.

Embedding Climate Risk management: Our initial work to embed Climate Risk management focused on the impact of physical and transition risks on our credit portfolio and climate-related reputational risks for clients in high emitting sectors. We have extended this to cover other relevant Principal Risk Types in H1 2022, including Traded Risk, Operational and Technology Risk, Treasury Risk and Compliance Risk. Our roadmap for integrating Climate Risk is in line with the Basel Committee's Principles for Climate-related Financial Risks published in June 2022. 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 integrated into credit decisioning for the highest emitting sectors in Corporate, Commercial and Institutional Banking and largest markets in Consumer, Private and Business Banking. As part of our ongoing partnership with Imperial College London, we supported new climate research on the range of opportunities that exist for private investors in nature related investments. 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: In 2021, we launched the new Reputational and Sustainability Principal Risk Type incorporating Sustainability Risk into the Enterprise Risk Management Framework. Our new Risk Appetite metrics covering environmental and social (E&S) risks, as well as Modern Slavery risks in our supply chain, are now reported regularly to the Board and Group Management Team. We continue to invest in infrastructure and technology to keep pace with the emerging ESG regulatory obligations across our markets. Our internal Environmental and Social Risk Catalogue was applied to an E&S risk assessment which provides a view on the Group's exposure to E&S risks arising from our business activities with our clients and from our suppliers, as well as within selected functions of the Bank. This assessment

1 Digital Assets Risk Management Program encompasses Digital Assets Policy and associated artefacts. These artefacts include standards, guidelines, tools and templates for the assessment and management of Digital Assets risk profile across the Group.

has highlighted key areas of priority for E&S risks. Alongside this, we are actively defining and mapping out Governance risks already embedded across the organisation. In 2022, we are acting on the findings of the E&S risk assessment and have prioritised an enhanced review of our end-to-end controls around "Biodiversity Loss" with emphasis on both non-financial and financial risks, considering growing external focus in "Biodiversity Loss" emanating from global commitments during COP 26 and developments in the Taskforce for Nature-related Financial Disclosures. We are also creating a multi-year road map to enhance supplier selection and due diligence criteria with respect to E&S risks. This ensures that our businesses and supply chains continue to support our sustainability ambition.

As our Sustainable Finance product offerings expand across markets, we have developed robust governance measures as set out in our recent Taskforce on Climate-related Financial Disclosures report. Our approach to managing Sustainable Finance products within Reputational and Sustainability Principal Risk is based upon transparency, expertise, governance, review, challenge and verification.

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

Managing Financial Crime Risk: The Group is managing its financial crime risk within acceptable levels as assessed under the Group's risk assessment measures, including the Financial Crime Risk Type Framework, Risk and Control Self-Assessments and internal audit and assurance reviews. A number of recent regulatory censures in the industry highlight the need for ongoing vigilance in managing financial crime. To sustain the effectiveness of its financial crime programme, the Group's focus is on successfully managing increased levels of attrition in its teams, continuing to invest in technology to stay current, remaining focused on maintaining its culture and managing its conduct risks.

Russia-related sanctions have continued to escalate and are increasingly complex in nature to operationalise. Whilst the Group has limited direct exposure to Russia-related sanctions, we are critically assessing the nature of our business most exposed to sanctions, including second order impacts, to ensure we have adequate controls in light of the complexity and volume of sanctions that have been introduced since the commencement of the Russia/Ukraine war. 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.

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

Innovation – Risk and CFCC infrastructure: Our infrastructure capabilities are key to our strategy of being a digital and data-driven second-line of defence enabling effective oversight and partnership with first-line risk management processes. This has been achieved through the integration of our risk aggregation platform with front office data providing near real-time bespoke exposure analysis for financial risks, decisioning and reporting. We have continued to improve our process efficiencies with a configurable case management framework to digitise CFCC Advisory responses to complex first-line queries, and have established an Enterprise Governance, Risk and Compliance (GRC) platform to automate the workflow across multiple processes, including Operational Risk, document management for policies and standards, business continuity, assurance, BCBS239 self assessments and peer reviews. Our model development and validation processes have been embedded into a single platform for Credit, IFRS9 and Retail model risk, enhancing the modelling process by enabling more efficient model turnaround, improved documentation for external stakeholders and a consolidated inventory across all model families. Our global employee conduct and compliance experience has been significantly improved with simplified Personal Account Dealing, Outside Business Activity and automated Insider List management in one platform, together with continued content expansion of self-service tools across 40 countries enabled by innovative Chatbot functionality. 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: Throughout 2022, we have continued to focus on further developing and maintaining an effective culture that supports the application of policies and standards to improve the quality of the Bank's models. We have rolled out the Model Risk Framework across all key countries as planned, including training, inventory identification and creation of country level Risk Information Reports. The Group Model Inventory has continued to evolve in line with industry standards, with further enhancements introduced to capture more granular country information and improvements in reporting dashboards. The governance process around model issue management has been further strengthened to enhance committee awareness and oversight of key model-related issues. Significant progress has been made in implementing BCBS 239 requirements for model risk reporting. Regulatory model delivery remains a key focus area for the Group, including meeting the new modelling requirements for European Banking Authority standards and managing the cessation of IBOR as we migrate to risk free rates. Further Model Risk training roll-out is planned throughout the year as we embed awareness of Model Risk at a firm-wide level.

Our risk profile and performance in 2022

Despite the challenges of the ongoing Russia/Ukraine war and the longer-term impact of the COVID-19 pandemic, our strong foundation has helped us to sustain a good performance in the first half of 2022. This year continued to demonstrate our commitment to strong and sustainable growth, with a resilient risk profile and asset quality reflecting our robust risk management amidst the longer-term impact of the pandemic and remaining vigilant to the global effects of market volatility.

The proportion of the Group's gross loans and advances to customers in stage 1 has remained stable at $279.1 billion or 93 per cent (2021: $279.2 billion or 92 per cent) reflecting our continued focus on high-quality origination. Overall stage 2 gross loans and advances to customers decreased by $4.3 billion to $12.5 billion driven by Corporate, Commercial and Institutional Banking due to exposure reductions in Energy, Transport, telecom and utilities sectors. Stage 3 loans decreased by $1 billion to $7.1 billion (2021: $8.1 billion) as a result of loan sales, upgrades and repayments in Corporate, Commercial and Institutional Banking and offset by the downgrade of foreign currency sovereign grading of Sri Lanka. Stage 3 cover ratio (excluding collateral) increased by 3 percentage points to 61 per cent (2021: 58 per cent), driven by a few material accounts that were either upgraded or sold and additional impairment on the Commercial real estate portfolio in Corporate, Commercial and Institutional Banking.

In the first half of 2022, we have seen a 36 per cent increase in early alerts exposure (2022: $7.5 billion, 2021: $5.5 billion), due to the volatility seen in the China Commercial real estate sector and uncertainties driven by the Russia/Ukraine war. Whilst early alerts have increased compared with December 2021, they have been on a declining trend since the spike seen in 2020 (H1 2020: $14.4 billion) and the Group remains vigilant in view of persistent challenging conditions in some markets and sectors. Credit grade 12 balances decreased to $0.8 billion (2021: $1.7 billion), mainly due to repayments and outflows to non-performing loans and exposure reductions.

The percentage of investment-grade corporate exposure has also increased to 71 per cent compared with 69 per cent from December 2021, due to high-quality originations.

Key indicators

	30.06.22	31.12.21
Group total business[1]	**298.7**	304.1
Stage 1 loans ($ billion)	**279.1**	279.2
Stage 2 loans ($ billion)	**12.5**	16.8
Stage 3 loans, credit-impaired ($ billion)	**7.1**	8.1
Stage 3 cover ratio	**61%**	58%
Stage 3 cover ratio (after collateral)	**80%**	75%
Corporate, Commercial & Institutional Banking		
Investment grade corporate net exposures as a percentage of total corporate net exposures	**71%**	69%
Early alert portfolio net exposures ($ billion)	**7.5**	5.5
Credit grade 12 balances ($ billion)	**0.8**	1.7
Aggregate top 20 corporate net exposures as a percentage of Tier 1 capital	**66%**	61%
Collateralisation of sub-investment grade net exposures maturing in more than one year	**47%**	49%
Consumer, Private and Business Banking		
Loan-to-value ratio of Consumer, Private & Business Banking mortgages	**42%**	41%

1 These numbers represent total gross loans and advances to customers

The Group's ongoing credit impairment was a net charge of $267 million compared to a net release of $47 million in the same period last year. The increase was driven by stage 3 impairment charge primarily from the additional impairment on China Commercial real estate exposures of $237 million, offset by releases across a number of clients in Corporate, Commercial and Institutional Banking. There was also a net charge of $70 million from the downgrade of foreign currency sovereign grading of Sri Lanka in the first half of the year, including an overlay of $42 million reflecting recent political and economic events. Consumer, Private and Business Banking has seen stage 1 and 2 charges of $43 million and stage 3 charge of $36 million. Stage 1 and 2 charges were driven by revised macroeconomic outlook, relatively higher delinquencies in Hong Kong and China following COVID-19 lockdowns and a $21 million increase in the post model adjustment for multiple economic scenarios. Stage 3 charge was driven by charge-offs that have normalised from elevated levels following the end of moratoria relief programmes in a number of markets and the benefit observed from a $14 million release of the COVID-19 management overlay. Ventures is a net charge of $3 million mainly from increase in stage 1 lending in Mox.

Credit impairment

	6 months ended 30.06.22 $million	6 months ended 30.06.21 $million[1]
Corporate, Commercial & Institutional Banking[1]	**196**	(136)
Consumer, Private & Business Banking	**79**	93
Ventures	**3**	–
Central & other items	**(11)**	(4)
Credit impairment charge/(release)	**267**	(47)
Restructuring business portfolio	**(4)**	(4)
Total credit impairment charge/(release)	**263**	(51)

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

Average Group Value at Risk (VaR) in the first half of 2022 was 34 per cent higher than the previous six months at $50.5 million (H2 2021: $37.8 million) and 30 per cent lower than the first half of 2021 (H1 2021: $72.4 million). The increase in total average VaR was driven by extreme market volatility following the Russia/Ukraine war which impacted Commodity prices in particular energy markets. Trading activities have remained relatively unchanged, and client driven. There were three regulatory VaR backtesting negative exceptions in the first half of 2022 and six Group exceptions in the previous 250 business days.

Our Group liquidity coverage ratio (LCR) is 142 per cent (2021: 143 per cent) with a surplus to both Risk Appetite and regulatory requirements. The Group's advances-to-deposits ratio has increased from 59.1 per cent to 59.6 per cent, mainly driven by a reduction in customer deposits and customer loans and advances.

Our Common Equity Tier 1 (CET1) ratio is 13.9 per cent (2021: 14.1 per cent). Further details can be found in the Capital Review section.

> Further details of the risk performance for the first six months of 2022 are set out in the Risk profile section

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.

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. In addition to Principal Risk Types (PRTs), the Group is exposed to certain Integrated Risks that are significant in nature and materialise primarily through the relevant PRTs. 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. The principal risks have not changed in the first half of the year and further details can be found on pages 258 to 279 of our 2021 Annual Report.

Principal Risk Types	How these are managed
Credit Risk	The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors
Traded Risk	The Group should control its trading portfolio and activities to ensure that Traded Risk losses (financial or reputational) do not cause material damage to the Group's franchise
Treasury Risk	The Group should maintain sufficient level, composition or distribution of capital, own funds and eligible liabilities to support the Group's activities under normal environments and stressed conditions. It should have sufficient stable or diverse sources of funding to meet its contractual and contingent obligations as they fall due. The Group should also maintain an interest rate profile ensuring that the reduction in earnings or economic value due to movements in interest rates on the banking book (non-traded) does not cause material damage to the Group's franchise. In addition, the Group needs to ensure that it maintains sufficient funding of its Pension plan or other long term benefit obligation to avoid material damage to the Group's franchise.
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 and Topical Risks

Emerging and Topical Risks (ETRs) refer to the unpredictable and uncontrollable events with the potential to impact our business materially or events that may have emerged but are still evolving rapidly. As part of our continuous risk identification process, we have updated the Group's ETRs from those disclosed in the 2021 Annual Report.

The key changes to the ETRs since the 2021 Annual Report are as follows.

- The Russia/Ukraine war is a key new topic and a driver of multiple other ETRs with mitigating actions described under the ETR titled "Prolonged Russian invasion and impacts on markets".
- "Global ramifications of a China economic downturn" is introduced as a new key risk topic as well, considering a combination of heightened risk factors on supply chain disruptions arising from the zero COVID-19 policy.
- "Crystallisation of inflation fears" has been broadened to "Taming global inflation and stagflation risk" to acknowledge that it has already manifested in many economies around the world, uncertainties around the responses and the rising risks of stagflation if central banks overreact.
- "Supply chain dislocations" has been renamed as "Supply chain dislocations and resilience" due to the continuing impacts of the COVID-19 pandemic, supply shortages, the impact of Russia/Ukraine war, and the push for sustainable alternatives.
- "Expanding stakeholder expectations for environmental, social and corporate governance" has been updated as "Environmental, social and governance ("ESG") stakeholder expectations" to address increasing stakeholder expectations in ESG in general.
- "Social unrest" and "Adapting to endemic COVID-19 and a K-shaped recovery" are no longer presented as independent ETRs; rather, we assess them mostly under other areas such as "Emerging Markets sovereign risk" and "ESG stakeholder expectations".

The table below summarises our current list of ETRs, outlining the risk trend changes since the end of 2021, 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 how the Group seeks to mitigate or manage the risk. As certain risks develop and materialise over time, management will take appropriate steps to address the risk based on its impact on the Group.

Emerging and Topical Risks	Risk trend since 2021[1]	Key risk trend drivers	How these are mitigated
Expanding array of global tensions	↑	• The Russia/Ukraine war has catalysed a fundamental shift in power dynamics with a demarcation of underlying political alliances. The nature of any resolution to the crisis will shape the global world order for the foreseeable future and influence other future acts of geopolitical aggression. • Escalating tensions are reshaping globalisation and may fuel a further increase in nationalistic and protectionist policy and rhetoric. • Relations between China and a number of other developed markets particularly the US remains fragile, with sanctions being imposed by both sides. • The US is also experiencing internal political instability. • Rivalry between the US and China can have structural operational and strategic impacts on business models for companies that straddle both.	• The Group is closely monitoring and assessing the impact on our business. • Sharp slowdowns in the US, China, and more broadly, world trade and global growth are a feature of the Group's 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, and action taken where necessary. • The Group remains vigilant in monitoring geopolitical relationships. Increased scrutiny is applied when onboarding clients in sensitive industries and in ensuring compliance with sanctions. • The Group carries out tail risk analyses specifically on commodities trading.

Emerging and Topical Risks	Risk trend since 2021[1]	Key risk trend drivers	How these are mitigated
Taming global inflation and stagflation risk		• Inflation is now a global concern with markets seeing the highest levels in decades. The easing of COVID-19 restrictions has created a surge in demand as developed market economies have reopened, and labour supply shortages have compounded price pressures. The Russia/Ukraine war has put further pressure on prices, particularly for commodities, food and fuel, prompting a cost-of-living crisis across the globe. • Monetary tightening has commenced in several markets, although significant uncertainty remains around the pace and size of future interest rate hikes. As fiscal and monetary support is withdrawn and countries raise rates, there is an elevated risk of widespread and disorderly price corrections for some asset classes. Monetary tightening also introduces the risk of stagflation where economic growth is muted but inflation persists. • An increase in prices of essential goods such as energy and food is likely to prompt a cost-of-living crisis across both developed and emerging markets. This has already sparked social unrest in some countries. There is heightened risk in emerging markets which experience disproportionate declines in disposable income because of non-discretionary price increases. • Rapid monetary tightening in the US may lead to US dollar appreciation versus other developed and emerging market currencies, and other central banks may be forced to follow suit despite local conditions being less favourable. This may lead to increased delinquencies.	• Scenarios are developed to examine the impacts of a rapid build-up in inflationary pressures and commodity supply shocks around the world. • Sovereign ratings, outlooks and country risk limits are regularly monitored. • Stagflation scenario analysis is also performed on the mortgage portfolio in our key markets. • Detailed portfolio reviews are conducted on an ongoing basis, and actions are taken where necessary. Sensitive sectors are regularly reviewed and exposures to these sectors are actively managed as part of Credit Risk reviews.
Global ramifications of a China economic downturn		• An economic downturn in China and the zero COVID-19 policy could have global ramifications. • The zero-COVID-19 policy is contributing to a reduction in China's GDP forecast in 2022 and exacerbating supply chain bottlenecks. • The Group is exposed to downturns in China, with turbulence in the property development sector and targeted legislation for specific industries such as education, technology and real estate.	• The Group is closely monitoring and assessing the impact on our business • Sharp slowdowns in 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. As part of these stress tests, a severe stress in the global economy associated with a sharp slowdown is assessed. • 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.

Emerging and Topical Risks	Risk trend since 2021[1]	Key risk trend drivers	How these are mitigated
Prolonged Russian invasion and impacts on markets	↑	• The EU, UK and the US, in a coordinated effort with several other countries, have imposed a range of sanctions on Russia and various related parties. The geopolitical dynamics, regulatory complexity across multiple jurisdictions and the rapid pace of change creates an extraordinary situation that may have an impact on the Group's business and operations. • Global commodity markets have been affected ranging from energy to metals, agriculture and food. Elevated commodity prices will depress GDP growth, especially in developing markets which are net importers of oil or food. • The crisis could escalate, resulting in further geopolitical instability, trade restrictions, disruptions to global supply chains and settlement of outstanding Rouble FX transactions, increases in commodities and energy prices with knock-on global inflationary impacts, and a potential downturn in the global economy. • The crisis and the response to it have also provided a flashpoint for demonstrations and civil reaction across the world.	• The Group's direct exposure to the region is limited. • We have established a Russia/Ukraine Crisis Monitoring Group to consider all aspects of the crisis and how direct and indirect risks to the Group can be mitigated. • The Group monitors developments at regional and country level to detect adverse horizon risks. • Stress tests are carried out to model the impact of commodity price shocks and stagflation.
Energy security	↑	• Increased industrial demand post COVID-19 and an accelerated transition to cleaner energy sources have put a strain on supply lines. • This came against a backdrop of increased tensions between nations as power shifts towards energy exporters, and energy security decreases across developed and emerging markets alike. The threat started to manifest in early 2022 when Russia began to threaten the energy supply to the Eurozone. • Rising energy prices accompanied by potential supply shortfalls may cause a rise in social unrest, especially in emerging and developing countries where there is high dependence on imports. • Rising material costs will also impact renewable energy, potentially slowing the transition. • In the wake of the Russia/Ukraine war, a trade-off between pragmatism and environmentalism has started to become apparent. Policymakers have to balance fuel supply and price pressures with climate goals and rollbacks of some green policies have started to occur in some developed economies. • The Group's plans for sustainable finance business growth could be slower to execute than intended.	• As part of our stress tests, several scenarios were developed including one focused on oil shocks and another on geopolitical tensions and dislocations in commodity markets. • 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. • Sovereign ratings, outlooks and country risk limits are regularly monitored with periodic updates to senior management. • The Group is implementing a Climate Risk work plan and aims to embed Climate Risk across all relevant Principal Risk Types in 2022. This includes scenario analysis and stress testing capability to understand financial risks and opportunities from climate change.

Emerging and Topical Risks	Risk trend since 2021[1]	Key risk trend drivers	How these are mitigated
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 ratings observed. • The uneven recovery from COVID-19 remains a risk factor, with emerging markets being further squeezed by local currency depreciation, escalating oil and food prices, and the extended impact on key industries such as tourism. • Tightening of financial conditions in developed markets may lead to local currency depreciations against the US dollar, increasing debt reservicing costs. There is heightened risk in emerging markets which experience disproportionate declines in disposable income. • For some countries with fragile governance frameworks, there is a heightened risk of failure to manage social demands which might culminate in regime change. Furthermore, food and energy security challenges have the potential to drive other social impacts such as increased migration.	• 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.
Supply chain dislocation and resilience		• Supply chain bottlenecks remain, with ongoing restrictions affecting global industries (e.g., semi-conductors, fuel/energy shortages). The rapid reopening of markets following the lifting of COVID-19 restrictions has also seen demand outstrip supply for some sectors. • Differing approaches to COVID-19 policies across markets especially in Asia, could cause supply chain bottlenecks to remain. • The Russia/Ukraine war has further exacerbated supply-side pressures due to sharp increases in fuel and food prices. • A response to the supply chain bottlenecks could see a shift in supply chains for the future, with increased contingency costs and a potential shift to move production closer to consumers.	• 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. • The Group is committed to managing human rights impacts through our Supplier Charter. • The Group monitors potential impacts of supply chain dislocations through conducting stress tests based on supply chain disruption and commodity supply shock scenarios applied over key risk realms.
ESG stakeholder expectations		• There are risks if the Group is unable to adapt to new regulations 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 and scrutiny around areas such as greenwashing. • There is fragmentation in the pace and scale of adoption and regulation around the world, which adds complexity in managing a global business. Fragmentation in ESG taxonomies may also lead to unintended consequences, including misallocation of capital. • Human rights concerns are increasing in focus with a scope expanding beyond direct abuses to cover other areas such as data management, technological advancement, and supply chains.	• We actively monitor regulatory developments in relation to sustainable finance and ESG risk management and provide our feedback on consultations bilaterally and through industry groups on emerging topics. • 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. In our Position Statements, the Group is committed to managing client human rights impacts through our social safeguards. • The Group is proactively participating in industry initiatives and framework development on both climate and biodiversity. Increased scrutiny is applied to environmental and social standards when providing services to the applicable clients. • Detailed portfolio reviews are conducted on an ongoing basis and action is taken where necessary and stress tests are conducted to test resilience to climate-related risks in line with local regulatory requirements.

Emerging and Topical Risks	Risk trend since 2021[1]	Key risk trend drivers	How these are mitigated
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. • Geopolitical disputes have prompted some governments to issue data sovereignty legislation, in some cases extraterritorial in nature, which may impact Group processes. In some cases, there is conflicting guidance within the same jurisdiction. • Data protection risks are increasing driven by highly organised threat actors, with tactics becoming more sophisticated and developments such as ransomware are available as a service. • 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. • It is unlikely that all digital services will fully transition to meet the demand for required performance levels, requiring a balance between resilience and agility as new technologies are onboarded while existing systems are maintained.	• We actively monitor regulatory developments in relation to data management, data protection and privacy, data sovereignty and artificial intelligence. The Group has data centres in multiple locations globally to ensure business continuity. • 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 Data and Privacy Operations team and mobilised a Group-wide transformation programme to build data management capabilities and expertise across the Group to ensure compliance with the data management regulations. • We continue to deliver new controls and capabilities to increase our ability to identify, detect, protect and respond to ICS threats.
New business structures, channels and competition		• There are significant shifts in customer value propositions. • Failure to adapt and harness new technologies and new business models would place banks at a competitive disadvantage. • Digital assets are gaining adoption and linked business models have been increasing in prominence since 2009. These present material opportunities with modified business models for businesses and consumers, as well as risks. • Increasing usage of partnerships and alliances increases exposure to third-party risk. There is also risk of inadequate risk assessments of new and unfamiliar activities.	• 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 enhance our competitiveness.

Emerging and Topical Risks	Risk trend since 2021[1]	Key risk trend drivers	How these are mitigated
Talent pools of the future		• Expectations of the workforce, post COVID-19, are shifting. The focus is now increasingly on 'what' work people do and 'how' they get to deliver it. There is an expectation of flexibility. • The above trends are even more distinct amongst Millennials and Gen Zs who make up an increasing proportion of the global talent pool, and as digital natives also possess the attributes and skills we seek to pursue our strategy. • With rolling voluntary attrition becoming higher year-on-year and attrition hotspots emerging in a few key job families, markets and employee segments; we are very mindful that to attract, grow and retain talent in the long run and in a sustainable manner, we must continue to invest in and further strengthen our Employee Value Proposition (EVP), through both firm-wide interventions as well as targeted action.	• Our culture and Employee Value Proposition (EVP) work is designed to directly address the emerging expectations of younger generations and the diverse talent we seek. The Brand and Culture Dashboard is published quarterly, and monitors colleagues' perceptions of our EVP whether we are living our Valued Behaviours and our Diversity and Inclusion (D&I) index (among other things). • The dashboard is discussed at local Management Team meetings to identify what improvement actions are needed. • We are formalising hybrid working (for those colleagues whose role is suitable) through our Future Workplace Now (FWN) programme. To date, FWN has been rolled out across 28 markets covering 68 per cent of the Group. Colleagues take up rates have been consistently high. • We are undertaking a multi-year journey of developing future skills amongst colleagues by creating a culture of continuous learning. This is achieved especially through deploying technology that empowers them to upskill and reskill by democratising access to learning content as well as cross-functional developmental experiences. • To address our talent pool's increased expectations of us being purpose-led, we have published our Stands (Accelerating Zero, Lifting Participation, Resetting Globalisation). These are now being operationalised and play a role in guiding our strategy.

Risk heightened in 2022 Risk reduced in 2022 Risk remained consistent with 2021 levels

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

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 Russia/Ukraine war, rising global inflation, uneven post-pandemic recovery across markets and sovereign risks dominated the economic climate throughout H1 2022. Continued focus on enhancing risk management capabilities and leveraging our technology will help the Group, as a more sustainable, innovative, resilient and client-centred bank.

Mark Smith
Group Chief Risk Officer

29 July 2022

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

a) Risk review: Disclosures marked as 'reviewed' from the start of Credit risk section (page 48) to the end of other principal risks in the same section (page 104); and

b) Capital review: Tables marked as 'reviewed' from the start of 'CRD capital base' to the end of 'Movement in total capital', excluding 'Total risk-weighted assets' (pages 105 to 107).

Credit Risk (reviewed)

Basis of preparation

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

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

Credit Risk overview

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

Impairment model

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

Staging of financial instruments

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

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

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

The framework used to determine a significant increase in Credit Risk is set out below.

Stage 1	Stage 2	Stage 3
• 12-month ECL • Performing	• Lifetime ECL • Performing but has exhibited Significant Increase in Credit Risk (SICR)	• Credit-impaired • Non-performing

IFRS 9 principles and approaches

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

Title	Description	Supplementary Information	Page
Approach to determining expected credit losses	For material loan portfolios, the Group has adopted a statistical modelling approach for determining expected credit losses that makes extensive use of credit modelling. 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 expected credit loss methodology Post model adjustments	83 84
Incorporation of forward-looking information	The determination of expected credit loss includes various assumptions and judgements in respect of forward-looking macroeconomic information. Refer to page 84 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	84 84 89
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 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.	IFRS 9 expected credit loss methodology	83
Assessment of credit-impaired financial assets	Credit-impaired (stage 3) financial assets comprise those assets that have experienced an observed credit event and are in default. Default represents those assets that are at least 90 days past due in respect of principal and interest payments and/or where the assets are otherwise considered unlikely to pay. This definition is consistent with internal Credit Risk management and the regulatory definition of default. Unlikely to pay factors include objective conditions such as bankruptcy, debt restructuring, fraud or death. It also includes credit-related modifications of contractual cash flows due to significant financial difficulty (forbearance) where the Group has granted concessions that it would not ordinarily consider. 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 earned while the asset was in stage 3 is recognised within the credit impairment line.	Consumer, Private and Business Banking clients Corporate, Commercial and Institutional Banking clients	83 83
Transfers between stages	Assets will transfer from stage 3 to stage 2 when they are no longer considered to be credit-impaired. Assets will not be considered credit-impaired only if the customer makes payments such that they are paid to current in line with the original contractual terms. Assets may transfer to stage 1 if they are no longer considered to have experienced a significant increase in Credit Risk. This will be immediate when the original probability of default (PD) based transfer criteria are no longer met (and as long as none of the other transfer criteria apply). Where assets were transferred using other measures, the assets will only transfer back to stage 1 when the condition that caused the significant increase in Credit risk no longer applies (and as long as none of the other transfer criteria apply).	Movement in loan exposures and expected credit losses	59

Title	Description	Supplementary Information	Page
Modified financial assets	Where the contractual terms of a financial instrument have been modified, and this does not result in the instrument being derecognised, a modification gain or loss is recognised in the income statement representing the difference between the original cashflows and the modified cash flows, discounted at the effective interest rate. The modification gain/loss is directly applied to the gross carrying amount of the instrument. If the modification is credit related, such as forbearance or where the Group has granted concessions that it would not ordinarily consider, then it will be considered credit-impaired. Modifications that are not credit related will be subject to an assessment of whether the asset's Credit Risk has increased significantly since origination by comparing the remaining lifetime PD based on the modified terms to the remaining lifetime PD based on the original contractual terms.	COVID-19 relief measures Forbearance and other modified loans	69 70
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.		

Maximum exposure to Credit risk (reviewed)

The table below presents the Group's maximum exposure to Credit Risk for its on-balance sheet and off-balance sheet financial instruments as at 30 June 2022, before and after taking into account any collateral held or other Credit Risk mitigation.

The Group's on-balance sheet maximum exposure to Credit Risk increased by $10.7 billion to $806 billion (2021: $796 billion).

Derivative exposures increased by $24.2 billion and other assets increased by $11.1 billion from additional cash collateral and settlement trades. This is offset by a decrease in $5.7 billion of cash and balances at central banks, $8.2 billion in loans and advances to banks, $5.0 billion in loans and advances to customers and $7.4 billion in Fair Value through profit or loss mainly from a reduction in reverse repo positions.

Of the $5.0 billion decrease in loans and advances to customers, Corporate, Commercial and Institutional Banking decreased by $5.7 billion from reductions in Stage 2 exposures and in Stage 3 assets due to loan sales, repayments and upgrades and Consumer, Private and Business Banking decreased by $4.3 billion from reductions in Mortgages and Secured wealth products. This is offset by an increase in Government sector of $4.9 billion in Central and other items segment.

Off-balance sheet instruments increased by $4.2 billion to $221 billion, driven by higher undrawn commitments.

	30.06.22				31.12.21			
		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	67,005			67,005	72,663			72,663
Loans and advances to banks[1]	36,201	795		35,406	44,383	1,079		43,304
of which – reverse repurchase agreements and other similar secured lending[7]	795	795		–	1,079	1,079		–
Loans and advances to customers[1]	293,508	125,385		168,123	298,468	131,397		167,071
of which – reverse repurchase agreements and other similar secured lending[7]	7,894	7,894		–	7,331	7,331		–
Investment securities – Debt securities and other eligible bills[2]	164,137			164,137	162,700			162,700
Fair value through profit or loss[3,7]	115,791	74,398	–	41,393	123,234	80,009	–	43,225
Loans and advances to banks	4,562			4,562	3,847			3,847
Loans and advances to customers	8,445			8,445	9,953			9,953
Reverse repurchase agreements and other similar lending[7]	74,398	74,398		–	80,009	80,009		–
Investment securities – Debt securities and other eligible bills[2]	28,386			28,386	29,425			29,425
Derivative financial instruments[4,7]	76,676	14,559	47,911	14,206	52,445	8,092	39,502	4,851
Accrued income	1,853			1,853	1,674			1,674
Assets held for sale	60			60	52			52
Other assets[5]	51,135			51,135	40,068			40,068
Total balance sheet	806,366	215,137	47,911	543,318	795,687	220,577	39,502	535,608
Off-balance sheet[6]								
Undrawn Commitments	162,841	4,201		158,640	158,523	3,848		154,675
Financial Guarantees and other equivalents	58,415	2,529		55,886	58,535	2,240		56,295
Total off-balance sheet	221,256	6,730	–	214,526	217,058	6,088	–	210,970
Total	1,027,622	221,867	47,911	757,844	1,012,745	226,665	39,502	746,578

1 Net of credit impairment. An analysis of credit quality is set out in the credit quality analysis section (page 53). Further details of collateral held by client segment (page 73) and stage are set out in the collateral analysis section (page 71)

2 Excludes equity and other investments of $755 million (31 December 2021: $737 million). Further details are set out in Note 13 Financial instruments

3 Excludes equity and other investments of $2,325 million (31 December 2021: $5,861 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 transaction

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

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

7 Collateral capped at maximum exposure (over-collateralised)

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

Analysis of financial instrument by stage (reviewed)

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

The proportion of financial instruments held within stage 1 improved by 1 per cent to 96 per cent (2021: 95 per cent). Total stage 1 balances increased by $6.8 billion, of which around $8.1 billion was in undrawn commitments, $11 billion in other assets from additional cash collateral and settlement trades and $1.9 billion in debt securities. This is offset by decrease of $6.5 billion in cash and balances at central bank, $8 billion in loans and advances to banks. Loans and advances to customers remained stable as Consumer, Private and Business Banking decrease of $4 billion was offset by increase in Central and other items of $4 billion.

Stage 2 financial instruments reduced by 94 basis points to 3.2 per cent (2021: 4.1 per cent) due to exposure reductions in Energy, Transport, telecom and utilities sectors in Corporate, Commercial and Institutional Banking. As a result, the proportion of loans and advances to customers classified in stage 2 also reduced to 4 per cent (2021: 6 per cent).

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

Off-balance sheet instruments increased by a net $4 billion, driven by higher undrawn commitments.

	30.06.22											
	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	66,145	–	66,145	864	(4)	860	–	–	–	67,009	(4)	67,005
Loans and advances to banks (amortised cost)	35,779	(7)	35,772	371	(5)	366	78	(15)	63	36,228	(27)	36,201
Loans and advances to customers (amortised cost)	279,136	(502)	278,634	12,539	(385)	12,154	7,053	(4,333)	2,720	298,728	(5,220)	293,508
Debt securities and other eligible bills[5]	159,265	(61)		4,853	(34)		106	(70)		164,224	(165)	
Amortised cost	51,527	(16)	51,511	320	(1)	319	106	(70)	36	51,953	(87)	51,866
FVOCI[2]	107,738	(45)		4,533	(33)		–	–		112,271	(78)	–
Accrued income (amortised cost)[4]	1,853	–	1,853	–	–	–	–	–	–	1,853	–	1,853
Assets held for sale[4]	60	–	60	–	–	–	–	–	–	60	–	60
Other assets	51,134	–	51,134	–	–	–	4	(3)	1	51,138	(3)	51,135
Undrawn commitments[3]	157,596	(37)		5,245	(42)		–	–		162,841	(79)	
Financial guarantees, trade credits and irrevocable letter of credits[3]	54,991	(16)		2,781	(16)		643	(190)		58,415	(222)	
Total	805,959	(623)		26,653	(486)		7,884	(4,611)		840,496	(5,720)	

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

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

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

4 Stage 1 ECL is not material

5 Stage 3 includes gross of $28 million and ECL $6 million originated credit-impaired debt securities.

	31.12.21											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million
Cash and balances at central banks	72,601	–	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 letter of credits[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

Credit quality analysis (reviewed)

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[3]
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/AA+ to BBB-/BB+	0 to 0.425	Class I and Class IV	Current loans (no past dues nor impaired)
Satisfactory	6A to 11C	BB+/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 to C	15.751 to 99.999	Stressed Assets Risk 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 Banks' rating: BB to CCC/C

3 Medium enterprise clients within Business Banking are managed using the same internal credit grades as Corporate, Commercial and Institutional Banking

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 remained flat compared with 31 December 2021 and represent an increase of 1.6 per cent at 93 per cent of loans and advances to customers (2021: 92 per cent). The stage 1 coverage ratio remained at 0.2 per cent compared with 31 December 2021.

In Corporate, Commercial and Institutional Banking, the proportion of stage 1 loans has increased to 88 per cent (2021: 85 per cent), and the percentage of stage 1 loans rated as strong is higher at 65 per cent (2021: 64 per cent) as the Group continues to focus on the origination of investment grade lending. Stage 1 loans remained stable at $122 billion which was primarily driven by decreases in Commercial real estate, Financing and Insurance sectors, and offset by increases in the Government, Transport, Telecom and Energy sectors.

Consumer, Private and Business Banking stage 1 loans decreased by $4 billion mainly due to currency depreciation in Korea and private banking portfolio decrease in Hong Kong driven by client de-leveraging and market fluctuation. The proportion rated as strong remained stable at 96 per cent.

Ventures had an increase of $258 million during the period from new lending in Mox.

Central and other items segment increased by $4 billion.

Stage 2

Stage 2 loans and advances to customers decreased by $4.3 billion to $12.5 billion (2021: $16.8 billion), primarily in Corporate, Commercial and Institutional Banking due to exposure reductions in Energy, Transport, telecom and utilities sectors, and the proportion of stage 2 loans also reduced to 4 per cent (2021: 5.5 per cent).

Consumer, Private and Business Banking stage 2 loans remained stable at $1.9 billion.

Stage 2 loans to customers classified as 'Higher risk' decreased by $0.6 billion, which was driven by lower exposures, upgrades out of 'higher risk' as well as downgrades to stage 3 primarily as a result of the downgrade of foreign currency sovereign grading of Sri Lanka in the first half of 2022.

The overall stage 2 cover ratio remained stable at 3.1 per cent. Consumer, Private and Business Banking stage 2 cover ratio decreased to 6.9 per cent (2021: 9.5 per cent), primarily driven by the release of $37 million of COVID-19 management overlays arising from the reassessment of residual risk after manifestation of such risk through individual impairments.

Stage 3

Gross stage 3 loans decreased by $1 billion to $7.1 billion (2021: $8.1 billion) as a result of loan sales, upgrades and repayments in Corporate, Commercial and Institutional Banking offset by the downgrade of foreign currency sovereign grading of Sri Lanka. Stage 3 cover ratio (excluding collateral) increased by 3 percentage points to 61 per cent.

Consumer, Private and Business Banking stage 3 loans remain stable.

Loans and advances by client segment (reviewed)

Amortised cost	30.06.22 Banks $million	Customers: Corporate, Commercial & Institutional Banking $million	Customers: Consumer, Private & Business Banking $million	Customers: Ventures $million	Customers: Central & other items $million	Customers: Customer Total $million	Undrawn commitments $million	Financial Guarantees $million
Stage 1	35,779	121,965	130,104	340	26,727	279,136	157,596	54,991
– Strong	24,145	79,442	125,633	339	26,628	232,042	140,232	40,220
– Satisfactory	11,634	42,523	4,471	1	99	47,094	17,364	14,771
Stage 2	371	10,488	1,894	5	152	12,539	5,245	2,781
– Strong	34	1,614	1,299	3	–	2,916	1,475	347
– Satisfactory	337	8,191	278	1	–	8,470	3,213	2,146
– Higher risk	–	683	317	1	152	1,153	557	288
Of which (stage 2):								
– Less than 30 days past due	–	54	278	1	–	333	–	–
– More than 30 days past due	–	8	317	1	–	326	–	–
Stage 3, credit-impaired financial assets	78	5,552	1,500	1	–	7,053	–	643
Gross balance[1]	36,228	138,005	133,498	346	26,879	298,728	162,841	58,415
Stage 1	(7)	(141)	(359)	(2)	–	(502)	(37)	(16)
– Strong	(4)	(49)	(272)	(2)	–	(323)	(22)	(8)
– Satisfactory	(3)	(92)	(87)	–	–	(179)	(15)	(8)
Stage 2	(5)	(253)	(130)	–	(2)	(385)	(42)	(16)
– Strong	–	(13)	(53)	–	–	(66)	(6)	(1)
– Satisfactory	(5)	(201)	(37)	–	–	(238)	(32)	(9)
– Higher risk	–	(39)	(40)	–	(2)	(81)	(4)	(6)
Of which (stage 2):								
– Less than 30 days past due	–	–	(37)	–	–	(37)	–	–
– More than 30 days past due	–	–	(40)	–	–	(40)	–	–
Stage 3, credit-impaired financial assets	(15)	(3,575)	(758)	–	–	(4,333)	–	(190)
Total credit impairment	(27)	(3,969)	(1,247)	(2)	(2)	(5,220)	(79)	(222)
Net carrying value	36,201	134,036	132,251	344	26,877	293,508		
Stage 1	0.0%	0.1%	0.3%	0.6%	0.0%	0.2%	0.0%	0.0%
– Strong	0.0%	0.1%	0.2%	0.6%	0.0%	0.1%	0.0%	0.0%
– Satisfactory	0.0%	0.2%	1.9%	0.0%	0.0%	0.4%	0.1%	0.1%
Stage 2	1.3%	2.4%	6.9%	0.0%	1.3%	3.1%	0.8%	0.6%
– Strong	0.0%	0.8%	4.1%	0.0%	0.0%	2.3%	0.4%	0.3%
– Satisfactory	1.5%	2.5%	13.3%	0.0%	0.0%	2.8%	1.0%	0.4%
– Higher risk	0.0%	5.7%	12.6%	0.0%	1.3%	7.0%	0.7%	2.1%
Of which (stage 2):								
– Less than 30 days past due	0.0%	0.0%	13.3%	0.0%	0.0%	11.1%	0.0%	0.0%
– More than 30 days past due	0.0%	0.0%	12.6%	0.0%	0.0%	12.3%	0.0%	0.0%
Stage 3, credit-impaired financial assets (S3)	19.2%	64.4%	50.5%	0.0%	0.0%	61.4%	0.0%	29.5%
Cover ratio	0.1%	2.9%	0.9%	0.6%	0.0%	1.7%	0.0%	0.4%
Fair value through profit or loss								
Performing	26,439	58,280	42	–	2,639	60,961	–	–
– Strong	22,848	51,561	42	–	2,638	54,241	–	–
– Satisfactory	3,591	6,655	–	–	1	6,656	–	–
– Higher risk	–	64	–	–	–	64	–	–
Defaulted (CG13-14)	–	5	–	–	–	5	–	–
Gross balance (FVTPL)[2]	26,439	58,285	42	–	2,639	60,966	–	–
Net carrying value (incl FVTPL)	62,640	192,321	132,293	344	29,516	354,474	–	–

1 Loans and advances includes reverse repurchase agreements and other similar secured lending of $7,894 million under Customers and of $795 million under Banks, held at amortised cost

2 Loans and advances includes reverse repurchase agreements and other similar secured lending of $52,521 million under Customers and of $21,877 million under Banks, held at fair value through profit or loss

Amortised cost	Banks $million	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking[1] $million	Ventures[1] $million	Central & other items $million	Customer Total $million	Undrawn commitments $million	Financial Guarantees $million
	31.12.21 (Restated)[1]							
		Customers						
Stage 1	43,776	122,368	134,289	82	22,439	279,178	149,530	54,923
– Strong	30,813	77,826	129,486	82	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	1,912	9	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	351	9	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	351	9	–	409	–	–
Stage 3, credit-impaired financial assets	54	6,520	1,575	–	–	8,095	–	799
Gross balance[2]	44,410	143,706	137,776	91	22,549	304,122	158,523	58,535
Stage 1	(12)	(103)	(369)	(1)	–	(473)	(42)	(15)
– Strong	(4)	(58)	(282)	(1)	–	(341)	(23)	(5)
– Satisfactory	(8)	(45)	(87)	–	–	(132)	(19)	(10)
Stage 2	(4)	(341)	(181)	(2)	–	(524)	(60)	(22)
– Strong	(2)	(62)	(104)	–	–	(166)	(6)	(1)
– Satisfactory	(2)	(179)	(32)	–	–	(211)	(46)	(9)
– Higher risk	–	(100)	(45)	(2)	–	(147)	(8)	(12)
Of which (stage 2):								
– Less than 30 days past due	–	(2)	(32)	–	–	(34)	–	–
– More than 30 days past due	–	(3)	(45)	(2)	–	(50)	–	–
Stage 3, credit-impaired financial assets	(11)	(3,861)	(796)	–	–	(4,657)	–	(207)
Total credit impairment	(27)	(4,305)	(1,346)	(3)	–	(5,654)	(102)	(244)
Net carrying value	44,383	139,401	136,430	88	22,549	298,468		
Stage 1	0.0%	0.1%	0.3%	1.2%	0.0%	0.2%	0.0%	0.0%
– Strong	0.0%	0.1%	0.2%	1.2%	0.0%	0.1%	0.0%	0.0%
– Satisfactory	0.1%	0.1%	1.8%	0.0%	0.0%	0.3%	0.1%	0.1%
Stage 2	0.7%	2.3%	9.5%	22.2%	0.0%	3.1%	0.7%	0.8%
– Strong	1.6%	2.6%	8.3%	0.0%	0.0%	4.6%	0.2%	0.1%
– Satisfactory	1.9%	1.6%	10.4%	0.0%	0.0%	1.8%	0.9%	0.6%
– Higher risk	0.0%	7.9%	12.8%	22.2%	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%	0.0%	8.8%	0.0%	0.0%
– More than 30 days past due	0.0%	6.1%	13.1%	0.0%	0.0%	12.2%	0.0%	0.0%
Stage 3, credit-impaired financial assets (S3)	20.4%	59.2%	50.5%	0.0%	0.0%	57.5%	0.0%	25.9%
Cover ratio	0.1%	3.0%	1.0%	3.3%	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)[3]	22,574	69,394	67	–	1,774	71,235	–	–
Net carrying value (incl FVTPL)	66,957	208,795	136,497	88	24,323	369,703	–	–

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

2 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

3 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

Loans and advances by client segment credit quality analysis

			Corporate, Commercial & Institutional Banking							
			30.06.22							
			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			74,992	1,614	–	81,056	(49)	(13)	–	62
1A-2B	0 – 0.045	AA- and above	10,107	166	–	10,273	(1)	–	–	(1)
3A-4A	0.046 – 0.110	A+ to A-	27,589	383	–	27,972	(5)	(1)	–	(6)
4B-5B	0.111 – 0.425	BBB+ to BBB-/BB+	41,746	1,065	–	42,811	(43)	(12)	–	(55)
Satisfactory			42,523	8,191	–	50,714	(92)	(201)	–	(293)
6A-7B	0.426 – 1.350	BB+/BB to BB-	24,525	2,077	–	26,602	(71)	(64)	–	(135)
8A-9B	1.351 – 4.000	BB-/B+ to B+/B	12,998	3,425	–	16,423	(13)	(75)	–	(88)
10A-11C	4.001 – 15.75	B to B-/CCC	5,000	2,689	–	7,689	(8)	(62)	–	(70)
Higher risk			–	683	–	683	–	(39)	–	(39)
12	15.751 – 99.999	CCC/C	–	683	–	683	–	(39)	–	(39)
Defaulted			–	–	5,552	5,552	–	–	(3,575)	(3,575)
13-14	100	Defaulted	–	–	5,552	5,552	–	–	(3,575)	(3,575)
Total			121,965	10,488	5,552	138,005	(141)	(253)	(3,575)	(3,969)

			31.12.21							
			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)

	Consumer, Private & Business Banking							
	30.06.22							
	Gross				Credit impairment			
Credit grade	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Strong	125,633	1,299	–	126,932	(272)	(53)	–	(325)
Secured	108,782	966	–	109,748	(54)	(8)	–	(62)
Unsecured	16,851	333	–	17,184	(218)	(45)	–	(263)
Satisfactory	4,471	278	–	4,749	(87)	(37)	–	(124)
Secured	4,152	160	–	4,312	(26)	(1)	–	(27)
Unsecured	319	118	–	437	(61)	(36)	–	(97)
Higher risk	–	317	–	317	–	(40)	–	(40)
Secured	–	210	–	210	–	(4)	–	(4)
Unsecured	–	107	–	107	–	(36)	–	(36)
Defaulted	–	–	1,500	1,500	–	–	(758)	(758)
Secured			1,040	1,040			(539)	(539)
Unsecured	–	–	460	460	–	–	(219)	(219)
Total	130,104	1,894	1,500	133,498	(359)	(130)	(758)	(1,247)

	31.12.21 (Restated[1])							
	Gross				Credit impairment			
Credit grade	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Strong	129,486	1,253	–	130,739	(282)	(104)	–	(386)
Secured	112,167	884	–	113,051	(48)	(19)	–	(67)
Unsecured	17,319	369	–	17,688	(234)	(85)	–	(319)
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	–	351	–	351	–	(45)	–	(45)
Secured	–	250	–	250	–	(11)	–	(11)
Unsecured	–	101	–	101	–	(34)	–	(34)
Defaulted	–	–	1,575	1,575	–	–	(796)	(796)
Secured			1,107	1,107			(516)	(516)
Unsecured	–	–	468	468	–	–	(280)	(280)
Total	134,289	1,912	1,575	137,776	(369)	(181)	(796)	(1,346)

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

Credit quality by geographic region

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

Loans and advances to customers

	30.06.22				31.12.21			
Amortised cost	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Gross (stage 1)	234,063	20,969	24,104	279,136	235,123	19,990	24,065	279,178
Provision (stage 1)	(400)	(74)	(28)	(502)	(371)	(86)	(16)	(473)
Gross (stage 2)	8,108	2,733	1,698	12,539	8,779	4,077	3,993	16,849
Provision (stage 2)	(261)	(73)	(51)	(385)	(318)	(137)	(69)	(524)
Gross (stage 3)[2]	3,961	2,758	334	7,053	4,448	2,918	729	8,095
Provision (stage 3)	(2,236)	(1,844)	(253)	(4,333)	(2,400)	(1,970)	(287)	(4,657)
Net loans[1]	243,235	24,469	25,804	293,508	245,261	24,792	28,415	298,468

1 Includes reverse repurchase agreements and other similar secured lending

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

Loans and advances to banks

Amortised cost	30.06.22 Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million	31.12.21 Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Gross (stage 1)	**22,556**	**4,905**	**8,318**	**35,779**	29,916	5,828	8,032	43,776
Provision (stage 1)	**(3)**	**(2)**	**(2)**	**(7)**	(3)	(5)	(4)	(12)
Gross (stage 2)	**85**	**139**	**147**	**371**	346	144	90	580
Provision (stage 2)	**(2)**	**–**	**(3)**	**(5)**	(1)	(1)	(2)	(4)
Gross (stage 3)	**67**	**1**	**10**	**78**	54	–	–	54
Provision (stage 3)	**(15)**	**–**	**–**	**(15)**	(11)	–	–	(11)
Gross loans[1]	**22,688**	**5,043**	**8,470**	**36,201**	30,301	5,966	8,116	44,383

1 Includes reverse repurchase agreements and other similar secured lending

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

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

Methodology

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

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

- **Transfers** – transfers between stages are deemed to occur at the beginning of a month based on prior month closing balances
- **Net remeasurement from stage changes** – the remeasurement of credit impairment provisions arising from a change in stage is reported within the stage that the assets are transferred to. For example, assets transferred into stage 2 are remeasured from a 12-month to a lifetime expected credit loss, with the effect of remeasurement reported in stage 2. For stage 3, this represents the initial remeasurement from specific provisions recognised on individual assets transferred into stage 3 in the year
- **Net changes in exposures** – new business written less repayments in the year. Within stage 1, new business written will attract up to 12 months of expected credit loss charges. Repayments of non-amortising loans (primarily within Corporate , 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 judgemental 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 period

Stage 1 gross exposures increased by $2 billion to $687 billion when compared with 31 December 2021. This was largely due to an increase in debt securities of $1.9 billion which was offset by reductions in Corporate, Commercial and Institutional Banking and Consumer, Private and Business Banking. In Corporate, Commercial and Institutional Banking, loans and advances to customers remained stable but loans and advances to banks reduced by $8 billion offset by an increase of $3.4 billion in undrawn commitments. In Consumer, Private and Business Banking, loans and advances reduced by $4.3 billion due to reductions in secured portfolio from Mortgages and Secured Wealth products offset by an increase in undrawn commitments.

Total stage 1 provisions increased by $14 million, of which $31 million increase was in Corporate, Commercial and Institutional Banking from additional China Commercial real estate overlay of $33 million offset by releases. Consumer, Private and Business Banking was a net release of $10 million due to $31 million release in management overlay for the impact of COVID-19 in unsecured portfolio as the risk has manifested, offset by $14 million charge due to post model adjustment for multiple economic scenarios and delinquencies across a few markets.

Stage 2 gross exposures decreased by $8.8 billion, of which $6.7 billion is from Corporate, Commercial and Institutional Banking as clients as loans and advances reduced by $4 billion in Energy, Transport, telecom and utilities sectors and undrawn commitments reduced by $2 billion. In Consumer, Private and Business Banking, gross balances reduced by $1.7 billion largely in secured portfolio due to reduction in undrawn commitments.

Stage 2 provisions reduced by $170 million compared to 31 December 2021, $111 million of which was in Corporate, Commercial and Institutional Banking as a result of $42 million release in management overlay as non-purely precautionary early alert portfolio has reduced due to exits and exposure downgrades, with the remainder mainly from upgrades in stage 2. Consumer, Private and Business Banking stage 2 provisions also reduced by $56 million from releases in management overlay after reassessment of residual risk in certain markets, offset by delinquencies in some Asia markets due to fresh COVID-19 related lockdowns and $8 million charge from post model adjustment for multiple economic scenarios.

Across both stage 1 and 2 for all segments, the significant deterioration in macroeconomic forecasts across all markets increased provisions by $19 million.

There was a net nil impact from model changes in the first half of 2022.

Stage 3 exposures decreased by $1.2 billion to $7.9 billion (2021: $9.1 billion) primarily driven by Corporate, Commercial and Institutional Banking clients from loan sales, repayments and upgrades. Stage 3 provisions decreased by $333 million to $4.6 billion (2021: $4.9 billion)mainly in Corporate, Commercial and Institutional Banking due to exposure reductions offset by an increase in provisions on China Commercial real estate portfolio.

All segments (reviewed)

Amortised cost and FVOCI	Stage 1 Gross balance[3] $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance[3] $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3[5] Gross balance[3] $million	Stage 3[5] Total credit impairment $million	Stage 3[5] Net $million	Total Gross balance[3] $million	Total Total credit impairment $million	Total Net $million
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	–	–	–	–	–	–	–	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		1			(77)			(466)			(542)	
Recoveries of amounts previously written off		–			–			288			288	
Total credit impairment (charge)/release		1			(77)			(178)			(254)	
As at 1 January 2022	684,759	(609)	684,150	34,550	(652)	33,898	9,061	(4,941)	4,120	728,370	(6,202)	722,168
Transfers to stage 1	15,825	(285)	15,540	(15,797)	285	(15,512)	(28)	–	(28)	–	–	–
Transfers to stage 2	(23,623)	109	(23,514)	24,047	(120)	23,927	(424)	11	(413)	–	–	–
Transfers to stage 3	(88)	–	(88)	(1,232)	101	(1,131)	1,320	(101)	1,219	–	–	–
Net change in exposures[5]	33,424	(47)	33,377	(14,431)	31	(14,400)	(868)	214	(654)	18,125	198	18,323
Net remeasurement from stage changes	–	31	31	–	(93)	(93)	–	(148)	(148)	–	(210)	(210)
Changes in risk parameters	–	33	33	–	59	59	–	(474)	(474)	–	(382)	(382)
Write-offs	–	–	–	–	–	–	(581)	581	–	(581)	581	–
Interest due but unpaid	–	–	–	–	–	–	(189)	189	–	(189)	189	–
Discount unwind	–	–	–	–	–	–	–	65	65	–	65	65
Exchange translation differences and other movements[1]	(23,530)	145	(23,385)	(1,348)	(93)	(1,441)	(411)	(4)	(415)	(25,289)	48	(25,241)
As at 30 June 2022[2]	686,767	(623)	686,144	25,789	(482)	25,307	7,880	(4,608)	3,272	720,436	(5,713)	714,723
Income statement ECL (charge)/release		17			(3)			(408)			(394)	
Recoveries of amounts previously written off		–			–			131			131	
Total credit impairment (charge)/release[4]		17			(3)			(277)			(263)	

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 $120,060 million (2021: $114,464 million) and Total credit impairment of $7 million (2021: $7 million)

3 The gross balance includes the notional amount of off -balance sheet instruments

4 Statutory basis

5 Stage 3 includes gross of $28 million (2021: $33 million) and ECL $6 million (2021: Nil) originated credit-impaired debt securities

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

	Stage 1			Stage 2			Stage 3			Total		
Amortised cost and FVOCI	Gross balance $million	Total credit impairment $million	Net $million	Gross balance $million	Total credit impairment $million	Net $million	Gross balance $million	Total credit impairment $million	Net $million	Gross balance $million	Total credit impairment $million	Net[3] $million
As at 1 January 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[1]		(5)			(20)			(2)			(27)	
Recoveries of amounts previously written off		–			–			–			–	
Total credit impairment (charge)/release		(5)			(20)			(2)			(27)	
As at 1 January 2022	157,352	(67)	157,285	5,315	(42)	5,273	113	(66)	47	162,780	(175)	162,605
Transfers to stage 1	1,410	(17)	1,393	(1,410)	17	(1,393)	–	–	–	–	–	–
Transfers to stage 2	(1,470)	6	(1,464)	1,470	(6)	1,464	–	–	–	–	–	–
Transfers to stage 3	–	–	–	–	–	–	–	–	–	–	–	–
Net change in exposures[2]	10,054	(19)	10,035	(135)	(7)	(142)	–	1	1	9,919	(25)	9,894
Net remeasurement from stage changes	–	9	9	–	(2)	(2)	–	–	–	–	7	7
Changes in risk parameters	–	15	15	–	4	4	–	–	–	–	19	19
Write-offs	–	–	–	–	–	–	–	–	–	–	–	–
Interest due but unpaid	–	–	–	–	–	–	–	–	–	–	–	–
Exchange translation differences and other movements[1]	(8,081)	12	(8,069)	(387)	2	(385)	(7)	(5)	(12)	(8,475)	9	(8,466)
As at 30 June 2022	159,265	(61)	159,204	4,853	(34)	4,819	106	(70)	36	164,224	(165)	164,059
Income statement ECL (charge)/release		5			(5)			1			1	
Recoveries of amounts previously written off		–			–			–			–	
Total credit impairment (charge)/release		5			(5)			1			1	

1 Includes fair value adjustments and amortisation on debt securities

2 Stage 3 includes gross of $28 million (2021: $33 million) and ECL $6 million (2021: Nil) 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 to $164,137 million (31 December 2021: $162,700 million. Refer to the Analysis of financial instrument by stage table on page 52

Corporate, Commercial & Institutional Banking (reviewed)

	Stage 1			Stage 2			Stage 3			Total		
Amortised cost and FVOCI	Gross balance[1] $million	Total credit impairment $million	Net $million	Gross balance[1] $million	Total credit impairment $million	Net $million	Gross balance[2] $million	Total credit impairment $million	Net $million	Gross balance[1] $million	Total credit impairment $million	Net $million
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	–	–	–	–	–	–	–	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		(20)			1			57			38	
Recoveries of amounts previously written off		–			–			19			19	
Total credit impairment (charge)/release		(20)			1			76			57	
As at 1 January 2022	313,132	(163)	312,969	25,437	(425)	25,012	7,372	(4,079)	3,293	345,941	(4,667)	341,274
Transfers to stage 1	11,236	(102)	11,134	(11,236)	102	(11,134)	–	–	–	–	–	–
Transfers to stage 2	(19,360)	59	(19,301)	19,745	(71)	19,674	(385)	12	(373)	–	–	–
Transfers to stage 3	–	–	–	(936)	28	(908)	936	(28)	908	–	–	–
Net change in exposures	10,908	(22)	10,886	(13,454)	31	(13,423)	(748)	213	(535)	(3,294)	222	(3,072)
Net remeasurement from stage changes	–	2	2	–	(45)	(45)	–	(135)	(135)	–	(178)	(178)
Changes in risk parameters	–	(8)	(8)	–	102	102	–	(324)	(324)	–	(230)	(230)
Write-offs	–	–	–	–	–	–	(318)	318	–	(318)	318	–
Interest due but unpaid	–	–	–	–	–	–	(195)	195	–	(195)	195	–
Discount unwind	–	–	–	–	–	–	–	52	52	–	52	52
Exchange translation differences and other movements	(7,498)	40	(7,458)	(806)	(36)	(842)	(390)	(4)	(394)	(8,694)	–	(8,694)
As at 30 June 2022	308,418	(194)	308,224	18,750	(314)	18,436	6,272	(3,780)	2,492	333,440	(4,288)	329,152
Income statement ECL (charge)/release		(28)			88			(246)			(186)	
Recoveries of amounts previously written off		–			–			5			5	
Total credit impairment (charge)/release		(28)			88			(241)			(181)	

1 The gross balance includes the notional amount of off-balance sheet instruments

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

Amortised cost and FVOCI	Stage 1 Gross balance[2] $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance[2] $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance[2] $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance[2] $million	Total Total credit impairment $million	Total Net $million
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	(6,270)	89	(6,181)	6,409	(89)	6,320	(139)	–	(139)	–	–	–
Transfers to stage 3	(144)	2	(142)	(833)	172	(661)	977	(174)	803	–	–	–
Net change in exposures	14,055	(28)	14,027	(2,060)	47	(2,013)	(347)	24	(323)	11,648	43	11,691
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	–	–	–	–	–	–	–	36	36	–	36	36
Exchange translation differences and other movements	(3,275)	313	(2,962)	24	(316)	(292)	247	(77)	170	(3,004)	(80)	(3,084)
As at 31 December 2021	190,860	(377)	190,483	3,675	(185)	3,490	1,578	(797)	781	196,113	(1,359)	194,754
Income statement ECL (charge)/release		29			(58)			(522)			(551)	
Recoveries of amounts previously written off		–			–			269			269	
Total credit impairment (charge)/release		29			(58)			(253)			(282)	
As at 1 January 2022	**190,860**	**(377)**	**190,483**	**3,675**	**(185)**	**3,490**	**1,578**	**(797)**	**781**	**196,113**	**(1,359)**	**194,754**
Transfers to stage 1	**3,175**	**(165)**	**3,010**	**(3,147)**	**165**	**(2,982)**	**(28)**	**–**	**(28)**	**–**	**–**	**–**
Transfers to stage 2	**(2,792)**	**43**	**(2,749)**	**2,831**	**(43)**	**2,788**	**(39)**	**–**	**(39)**	**–**	**–**	**–**
Transfers to stage 3	**(88)**	**–**	**(88)**	**(296)**	**73**	**(223)**	**384**	**(73)**	**311**	**–**	**–**	**–**
Net change in exposures	**5,638**	**(6)**	**5,632**	**(944)**	**7**	**(937)**	**(121)**	**–**	**(121)**	**4,573**	**1**	**4,574**
Net remeasurement from stage changes	**–**	**20**	**20**	**–**	**(46)**	**(46)**	**–**	**(12)**	**(12)**	**–**	**(38)**	**(38)**
Changes in risk parameters	**–**	**29**	**29**	**–**	**(47)**	**(47)**	**–**	**(150)**	**(150)**	**–**	**(168)**	**(168)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(262)**	**262**	**–**	**(262)**	**262**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**3**	**(3)**	**–**	**3**	**(3)**	**–**
Discount unwind	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13**	**13**	**–**	**13**	**13**
Exchange translation differences and other movements	**(7,396)**	**89**	**(7,307)**	**(101)**	**(53)**	**(154)**	**(12)**	**4**	**(8)**	**(7,509)**	**40**	**(7,469)**
As at 30 June 2022	**189,397**	**(367)**	**189,030**	**2,018**	**(129)**	**1,889**	**1,503**	**(756)**	**747**	**192,918**	**(1,252)**	**191,666**
Income statement ECL (charge)/release		**43**			**(86)**			**(162)**			**(205)**	
Recoveries of amounts previously written off		**–**			**–**			**126**			**126**	
Total credit impairment (charge)/release		**43**			**(86)**			**(36)**			**(79)**	

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 2022. Prior period has been restated

2 The gross balance includes the notional amount of off-balance sheet instruments

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

Amortised cost and FVOCI	Stage 1 Gross balance[2] $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance[2] $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance[2] $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance[2] $million	Total Total credit impairment $million	Total Net $million
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	13,009	(9)	13,000	(1,452)	3	(1,449)	(224)	24	(200)	11,333	18	11,351
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	–	–	–	–	–	–	–	34	34	–	34	34
Exchange translation differences and other movements	(2,746)	9	(2,737)	10	(31)	(21)	50	(131)	(81)	(2,686)	(153)	(2,839)
As at 31 December 2021	136,600	(96)	136,504	2,685	(32)	2,653	1,103	(517)	586	140,388	(645)	139,743
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)	
As at 1 January 2022	136,600	(96)	136,504	2,685	(32)	2,653	1,103	(517)	586	140,388	(645)	139,743
Transfers to stage 1	2,212	(21)	2,191	(2,192)	21	(2,171)	(20)	–	(20)	–	–	–
Transfers to stage 2	(1,622)	13	(1,609)	1,655	(13)	1,642	(33)	–	(33)	–	–	–
Transfers to stage 3	(70)	–	(70)	(147)	–	(147)	217	–	217	–	–	–
Net change in exposures	2,392	(4)	2,388	(530)	–	(530)	(84)	–	(84)	1,778	(4)	1,774
Net remeasurement from stage changes	–	–	–	–	(1)	(1)	–	(2)	(2)	–	(3)	(3)
Changes in risk parameters	–	(2)	(2)	–	42	42	–	(44)	(44)	–	(4)	(4)
Write-offs	–	–	–	–	–	–	(52)	52	–	(52)	52	–
Interest due but unpaid	–	–	–	–	–	–	5	(5)	–	5	(5)	–
Discount unwind	–	–	–	–	–	–	–	6	6	–	6	6
Exchange translation differences and other movements	(5,457)	25	(5,432)	(67)	(30)	(97)	(100)	(26)	(126)	(5,624)	(31)	(5,655)
As at 30 June 2022	134,055	(85)	133,970	1,404	(13)	1,391	1,036	(536)	500	136,495	(634)	135,861
Income statement ECL (charge)/release		(6)			41			(46)			(11)	
Recoveries of amounts previously written off		–			–			35			35	
Total credit impairment (charge)/release		(6)			41			(11)			24	

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 2022. Prior period has been restated

2 The gross balance includes the notional amount of off-balance sheet instruments

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

Amortised cost and FVOCI	Stage 1 Gross balance[2] $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance[2] $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance[2] $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance[2] $million	Total Total credit impairment $million	Total Net $million
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	(2,382)	80	(2,302)	2,402	(80)	2,322	(20)	–	(20)	–	–	–
Transfers to stage 3	(37)	1	(36)	(433)	164	(269)	470	(165)	305	–	–	–
Net change in exposures	1,046	(19)	1,027	(608)	44	(564)	(123)	–	(123)	315	25	340
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	54,260	(281)	53,979	990	(153)	837	475	(280)	195	55,725	(714)	55,011
Income statement ECL (charge)/release		35			(73)			(401)			(439)	
Recoveries of amounts previously written off		–			–			201			201	
Total credit impairment (charge)/release		35			(73)			(200)			(238)	
As at 1 January 2022	**54,260**	**(281)**	**53,979**	**990**	**(153)**	**837**	**475**	**(280)**	**195**	**55,725**	**(714)**	**55,011**
Transfers to stage 1	**963**	**(144)**	**819**	**(955)**	**144**	**(811)**	**(8)**	**–**	**(8)**	**–**	**–**	**–**
Transfers to stage 2	**(1,170)**	**30**	**(1,140)**	**1,176**	**(30)**	**1,146**	**(6)**	**–**	**(6)**	**–**	**–**	**–**
Transfers to stage 3	**(18)**	**–**	**(18)**	**(149)**	**73**	**(76)**	**167**	**(73)**	**94**	**–**	**–**	**–**
Net change in exposures	**3,246**	**(2)**	**3,244**	**(414)**	**7**	**(407)**	**(37)**	**–**	**(37)**	**2,795**	**5**	**2,800**
Net remeasurement from stage changes	**–**	**20**	**20**	**–**	**(45)**	**(45)**	**–**	**(10)**	**(10)**	**–**	**(35)**	**(35)**
Changes in risk parameters	**–**	**31**	**31**	**–**	**(89)**	**(89)**	**–**	**(106)**	**(106)**	**–**	**(164)**	**(164)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(210)**	**210**	**–**	**(210)**	**210**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**(2)**	**2**	**–**	**(2)**	**2**	**–**
Discount unwind	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7**	**7**	**–**	**7**	**7**
Exchange translation differences and other movements	**(1,939)**	**64**	**(1,875)**	**(34)**	**(23)**	**(57)**	**88**	**30**	**118**	**(1,885)**	**71**	**(1,814)**
As at 30 June 2022	**55,342**	**(282)**	**55,060**	**614**	**(116)**	**498**	**467**	**(220)**	**247**	**56,423**	**(618)**	**55,805**
Income statement ECL (charge)/release		**49**			**(127)**			**(116)**			**(194)**	
Recoveries of amounts previously written off		**–**			**–**			**91**			**91**	
Total credit impairment (charge)/release		**49**			**(127)**			**(25)**			**(103)**	

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 2022. 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 the proportion of stage 2 gross exposures and associated expected credit provisions by the key significant increase in credit risk (SICR) driver that caused the exposures to be classified as stage 2 as at 30 June 2022 for each segment. This may not be the same driver that caused the initial transfer into stage 2.

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

	30.06.22														
	Corporate, Commercial & Institutional banking			Consumer, Private & Business Banking			Ventures			Central & other items			Total		
	Gross $million	ECL $million	Coverage %	Gross $million	ECL $million	Coverage %	Gross $million	ECL $million	Coverage %	Gross $million	ECL $million	Coverage %	Gross $million	ECL $million	Coverage %
Increase in PD	11,363	174	1.5%	1,137	105	9.2%				3,415	20	0.6%	15,915	299	1.9%
Non-purely precautionary early alert	3,496	11	0.3%	72	–	0.5%				1,621	1	0.1%	5,189	12	0.2%
Higher risk (CG12)	474	27	5.8%	16	1	4.5%				679	19	2.8%	1,169	47	4.1%
Sub-investment grade	205	–	0.1%	–	–	0.0%				–	–	0.0%	205	–	0.1%
Top up/Sell down (Private Banking)			0.0%	422	–	0.1%				–		0.0%	422	–	0.1%
Others	3,212	11	0.4%	210	1	0.6%	4		0.0%	166	3	1.6%	3,592	15	0.4%
30 days past due		–	0.0%	160	17	10.5%	1		0.0%	–	–	0.0%	161	17	10.5%
Management overlay		91	0.0%		5	0.0%							–	96	
Total stage 2	**18,750**	**314**	**1.7%**	**2,017**	**129**	**6.4%**	**5**	**–**	**0.0%**	**5,881**	**43**	**0.7%**	**26,653**	**486**	**1.8%**

	31.12.21 (Restated)[1]														
	Corporate, Commercial & Institutional banking			Consumer, Private & Business Banking			Ventures			Central & other items			Total		
	Gross $million	ECL $million	Coverage %	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	123	4.5%				4,691	22	0.5%	22,132	332	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	58	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	12	0.3%
30 days past due	–	–	0.0%	190	16	8.7%	9	2	22.2%	–	–	0.0%	199	18	9.3%
Management overlay		166			42								–	208	
Total stage 2	25,437	425	1.7%	3,675	185	5.0%	9	2	22.2%	5,495	44	0.8%	34,616	656	1.9%

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

The majority of exposures and the associated expected credit loss provisions continue to be in stage 2 due to increases in the probability of default. Overall stage 2 balances have reduced by $8.0 billion to $26.7 billion (2021: $34.6 billion) through repayments and transfers into stage 1 in Corporate, Commercial and Institutional Banking and lower undrawn commitments in Consumer, Private and Business Banking. Overall expected credit loss coverage has reduced to 1.8 per cent.

Although the amount of exposures in Corporate, Commercial and Institutional Banking placed on non-purely precautionary early alert increased compared to 31 December 2021, the proportion of stage 2 exposures driven by this category reduced as more clients were captured through the "Increase in PD" driver.

13 per cent (2021: 9 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 8 per cent (2021: 5 per cent) of exposures.

'Others' primarily incorporates exposures where origination data is incomplete and the exposures are allocated into stage 2.

Credit impairment charge (restated[1]) (reviewed)
Ongoing credit impairment was a net charge of $267 million.

Stage 3 was a charge of $277 million (H1 2021: charge of $58 million).
There was a charge of $240 million in Corporate, Commercial and Institutional Banking, compared to $59 million release in the same period last year due to significant repayments from a few clients. The $240 million charge included additional impairment on China Commercial real estate exposures of $237 million, offset by releases across a number of clients. There was also a net charge of $69 million from the downgrade of foreign currency sovereign grading of Sri Lanka in the first half of 2022, including an overlay of $42 million for recent political and economic events.

Consumer, Private and Business Banking stage 3 charge of $36 million decreased from $118 million in H1 2021, as charge-offs normalised from elevated levels following the end of moratoria relief programmes in a number of markets. The first half of 2022 also benefitted from a $14 million release of the COVID-19 management overlay.

Central and other items was a net charge of $1 million (H1 2021: release of $1 million) from the downgrade of foreign currency sovereign grading of Sri Lanka.

Stage 1 and 2 impairments was a net release of $10 million (H1 2021: release of $105 million).
Corporate, Commercial and Institutional Banking was a net release of $44 million due to upgrades and a release of $73 million from the COVID-19 element of the management overlay as clients moved out of non-purely precautionary early alert or have repaid. This was offset by an increase of $32 million in the overlay relating to China Commercial real estate exposures and $13 million increase in the post model adjustment charge for multiple economic scenarios. The same period last year was a net release of $77 million due to a number of repayments and additional collateral on a few high-risk accounts, and release of $27 million in the COVID-19 overlay.

Consumer, Private and Business Banking was a net charge of $43 million, compared to $25 million release in the same period last year due to relative improvements in macroeconomic variables. The $43 million charge was driven by revised macroeconomic outlook, relatively higher delinquencies in Hong Kong and China following COVID-19 lockdowns and a $21 million increase in the post model adjustment for multiple economic scenarios. This was offset by a release of $68 million from COVID-19 management overlay.

Ventures was a net charge of $3 million from new deals in Mox.

Central and other items was a net release of $12 million (H1 2021: release of $3 million), primarily due to upgrades.

	30.06.22			30.06.21 (Restated)[1]		
	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	(44)	240	196	(77)	(59)	(136)
Consumer, Private & Business Banking[1]	43	36	79	(25)	118	93
Ventures[1]	3	–	3	–	–	–
Central & other items	(12)	1	(11)	(3)	(1)	(4)
Credit impairment charge	(10)	277	267	(105)	58	(47)
Restructuring business portfolio						
Others	(4)	–	(4)	(4)	–	(4)
Credit impairment charge	(4)	–	(4)	(4)	–	(4)
Total credit impairment charge	(14)	277	263	(109)	58	(51)

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

COVID-19 relief measures

The table below sets out the extent to which payment reliefs are in place across the Group's Consumer, Private and Business Banking loan portfolio based on the amount outstanding at 30 June 2022. The accounting for temporary changes to loan contractual term is unchanged from that presented on page 220 of the 2021 Annual Report.

COVID-19 payment-related relief measures in most markets have now expired. The Consumer, Private and Business Banking loans under payment relief schemes reduced to $280 million compared to $1.2 billion at the end of 2021 and a peak of $8.9 billion in the first half of 2020, with the remaining balance concentrated in Asia. This represents 0.2 per cent of Consumer, Private and Business Banking's gross loans and advances to customers, mainly in Hong Kong, China and India.

	Total		Asia		Africa & Middle East	
Segment[1]	Outstanding $million	% of portfolio[2]	Outstanding $million	% of portfolio[2]	Outstanding $million	% of portfolio[2]
Credit card & Personal loans	**18**	**0.1%**	**18**	**0.1%**	–	–
Mortgages & Auto	**90**	**0.1%**	**90**	**0.1%**	–	–
Business Banking	**172**	**1.7%**	**172**	**1.7%**	–	–
Total Consumer, Private & Business Banking at 30 June 2022	**280**	**0.2%**	**280**	**0.2%**	–	–
Total Consumer, Private & Business Banking at 31 December 2021	1,182	0.9%	1,029	0.9%	153	3.1%

1 Outstanding relief balance for Corporate, Commercial and Institutional Banking are less than $100 million (31 December 2021: $1,195 million) at 30 June 2022 and $nil (31 December 2021: $nil) for Ventures[3]

2 Percentage of portfolio represents the outstanding amount as a percentage of the gross loans and advances to customers by product and segment

3 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate segment from 1 January 2022

Problem credit management and provisioning (reviewed)

Forborne and other modified loans by client segment

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

Net forborne loans decreased by $226 million to $1.3 billion (2021: $1.5 billion) primarily driven by stage 3 loans in Corporate, Commercial and Institutional Banking in Europe and the Americas region. The table below presents loans with forbearance measures by segment.

	30.06.22				31.12.21 (Restated)[1]			
Amortised cost	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Total $million	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures[1] $million	Total $million
All loans with forbearance measures	2,440	395	–	2,835	2,526	406	–	2,932
Credit impairment (stage 1 and 2)	–	–	–	–	(4)	–	–	(4)
Credit impairment (stage 3)	(1,392)	(140)	–	(1,532)	(1,237)	(162)	–	(1,399)
Net carrying value	1,048	255	–	1,303	1,285	244	–	1,529
Included within the above table								
Gross performing forborne loans	304	72	–	376	272	59	–	331
Modification of terms and conditions[2]	246	72	–	318	257	59	–	316
Refinancing[3]	58	–	–	58	15	–	–	15
Impairment provisions	–	–	–	–	(4)	–	–	(4)
Modification of terms and conditions[2]	–	–	–	–	(4)	–	–	(4)
Refinancing[3]	–	–	–	–	–	–	–	–
Net performing forborne loans	304	72	–	376	268	59	–	327
Collateral	134	70	–	204	65	56	–	121
Gross non-performing forborne loans	2,136	323	–	2,459	2,253	348	–	2,601
Modification of terms and conditions[2]	2,028	323	–	2,351	2,095	348	–	2,443
Refinancing[3]	108	–	–	108	158	–	–	158
Impairment provisions	(1,392)	(140)	–	(1,532)	(1,237)	(162)	–	(1,399)
Modification of terms and conditions[2]	(1,290)	(140)	–	(1,430)	(1,106)	(162)	–	(1,268)
Refinancing[3]	(102)	–	–	(102)	(131)	–	–	(131)
Net non-performing forborne loans	744	183	–	927	1,016	186	–	1,202
Collateral	269	64	–	333	236	62	–	298

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022

2 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

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

Forborne and other modified loans by region

Amortised cost	30.06.22 Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million	31.12.21 Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Performing forborne loans	190	127	59	376	205	76	46	327
Non-performing forborne loans	575	240	112	927	572	137	493	1,202
Net forborne loans	**765**	**367**	**171**	**1,303**	**777**	**213**	**539**	**1,529**

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

Gross stage 3 loans for the Group have reduced by $1 billion to $7.1 billion (2021: $8.1 billion). This is mainly driven by $1 billion from loan sales, upgrades and repayments in Corporate, Commercial and institutional Banking, offset by the downgrade of foreign currency sovereign grading of Sri Lanka.

Gross stage 3 loans in Consumer, Private and Business Banking decreased by $75 million primarily in Secured wealth products, Mortgages and Personal Loans portfolio.

Stage 3 cover ratio (reviewed)

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

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

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

The Corporate, Commercial and Institutional Banking cover ratio increased by 5 per cent before collateral and 6 per cent post collateral. The increase was due to a few material accounts that were upgraded or sold during the year and additional impairment on the Commercial real estate portfolio.

Consumer, Private and Business Banking stage 3 cover ratio before and after collateral remain stable at 51 per cent and 91 per cent, respectively.

	30.06.22 Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Total $million	31.12.21 (Restated)[1] Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking[1] $million	Ventures $million	Total $million
Gross credit-impaired	5,552	1,500	1	7,053	6,520	1,575	–	8,095
Credit impairment provisions	(3,575)	(758)	–	(4,333)	(3,861)	(796)	–	(4,657)
Net credit-impaired	**1,977**	**742**	**1**	**2,720**	**2,659**	**779**	**–**	**3,438**
Cover ratio	**64%**	**51%**	**0%**	**61%**	**59%**	**51%**	**0%**	**58%**
Collateral ($ million)	738	601	–	1,339	805	641	–	1,446
Cover ratio (after collateral)	**78%**	**91%**	**0%**	**80%**	**72%**	**91%**	**0%**	**75%**

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

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

Stage 3 gross loans decreased by $1 billion compared with 31 December 2021. The decrease was primarily driven by loan sales, repayments and upgrades in Asia and Africa and the Middle East of $647 million and a decrease in Europe and the Americas of $395 million.

	30.06.22				31.12.21			
Amortised cost	**Asia $million**	**Africa & Middle East $million**	**Europe & Americas $million**	**Total $million**	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Gross credit-impaired	**3,961**	**2,758**	**334**	**7,053**	4,448	2,918	729	8,095
Credit impairment provisions	**(2,236)**	**(1,844)**	**(253)**	**(4,333)**	(2,401)	(1,970)	(286)	(4,657)
Net credit-impaired	**1,725**	**914**	**81**	**2,720**	2,047	948	443	3,438
Cover ratio	**56%**	**67%**	**76%**	**61%**	54%	68%	39%	58%

Credit Risk mitigation

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

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

Collateral (reviewed)

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

The unadjusted market value of collateral across all asset types, in respect of Corporate, Commercial and Institutional Banking, without adjusting for over-collateralisation, was $315 billion (2021: $346 billion).

The collateral values in the table below (which covers loans and advances to banks and customers, excluding those held at fair value through profit or loss) are adjusted where appropriate in accordance with our risk mitigation policy and for the effect of over-collateralisation. The extent of over-collateralisation has been determined with reference to both the drawn and undrawn components of exposure, as this best reflects the effect of collateral and other credit enhancements on the amounts arising from expected credit losses. The value of collateral reflects management's best estimate and is backtested against our prior experience. On average, across all types of non-cash collateral, the value ascribed is approximately half of its current market value. In the Consumer, Private 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 has reduced by $5.7 billion to $133 billion (2021: $139 billion), of which $3.3 billion is in Consumer, Private and Business Banking due to decrease in Mortgages and Secured wealth products exposures. Corporate, Commercial and Institutional Banking decreased by $2.8 billion to $26.6 billion, driven by reduction in collateral against stage 2 clients as stage 2 exposure balances decreased.

Collateral held on loans and advances

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

	30.06.22								
	Net amount outstanding			Collateral			Net exposure		
Amortised cost	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Total[2] $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million
Corporate, Commercial & Institutional Banking[1]	170,237	10,601	2,040	26,596	3,363	738	143,641	7,238	1,302
Consumer, Private & Business Banking	132,251	1,764	742	99,428	1,091	601	32,823	673	141
Ventures	344	5	–	–	–	–	344	5	–
Central & other items	26,877	150	–	6,886	–	–	19,991	150	–
Total	**329,709**	**12,520**	**2,782**	**132,910**	**4,454**	**1,339**	**196,799**	**8,066**	**1,443**

	31.12.21 (Restated)[3]								
	Net amount outstanding			Collateral			Net exposure		
Amortised cost	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Total[2] $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million
Corporate, Commercial & Institutional Banking[1]	183,784	15,053	2,702	29,414	5,077	805	154,370	9976	1,897
Consumer, Private & Business Banking[3]	136,430	1,731	779	102,769	1,045	641	33,661	686	138
Ventures[3]	88	7	–	–	–	–	88	7	–
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

1 Includes loans and advances to banks

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

3 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment in 2022. Prior period has been restated

Collateral – Corporate, Commercial & Institutional Banking (reviewed)

Collateral held against Corporate, Commercial and Institutional Banking exposures amounted to $27 billion.

Collateral taken for longer-term and sub-investment grade corporate loans remains high at 47 per cent (2021: 49 per cent). Our underwriting standards encourage taking specific charges on assets and we consistently seek high-quality, investment-grade collateral.

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

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

Corporate, Commercial & Institutional Banking

Amortised cost	30.06.22 $million	31.12.21 $million
Maximum exposure	**170,237**	183,784
Property	**10,202**	10,589
Plant, machinery and other stock	**1,423**	1,411
Cash	**3,323**	3,549
Reverse repos	**1,378**	2,042
A- to AA+	**163**	122
BBB- to BBB+	**121**	483
Unrated	**1,094**	1,437
Financial guarantees and insurance	**5,664**	6,616
Commodities	**89**	198
Ships and aircraft	**4,517**	5,009
Total value of collateral[1]	**26,596**	29,414
Net exposure	**143,641**	154,370

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

Collateral – Consumer, Private & Business Banking (reviewed)

In Consumer, Private and Business Banking, 86 per cent of the portfolio is fully secured (2021: 86 per cent). The secured portfolio decreased by $3.8 billion from Mortgages and Secured wealth portfolio in Asia. Collateral also reduced by $3.3 billion in line with secured portfolio exposure reduction.

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

	30.06.22				31.12.21 (Restated)[3]			
Amortised cost	Fully secured $million	Partially secured $million	Unsecured $million	Total[1] $million	Fully secured $million	Partially secured $million	Unsecured $million	Total[2] $million
Maximum exposure	**113,458**	**1,213**	**17,580**	**132,251**	117,129	1,329	17,972	136,430
Loans to individuals								
Mortgages	**86,967**	**–**	**–**	**86,967**	89,222	–	–	89,222
CCPL	**200**	**–**	**16,232**	**16,432**	150	–	16,943	17,093
Auto	**530**	**–**	**–**	**530**	542	–	–	542
Secured wealth products	**20,195**	**–**	**–**	**20,195**	21,495	–	–	21,495
Other	**5,566**	**1,213**	**1,348**	**8,127**	5,720	1,329	1,029	8,078
Total collateral[1]				**99,428**				102,769
Net exposure[2]				**32,823**				33,661
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

3 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment in 2022. Prior period has been restated

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

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

In mortgages, the value of property held as security significantly exceeds the value of mortgage loans. The average LTV of the overall mortgage portfolio is low at 41.6 per cent and remains consistent compared to 31 December 2021. Hong Kong, which represents 39 per cent of the mortgage portfolio, has an average LTV of 45.4 per cent. All of our other key markets continue to have low portfolio LTVs (Korea, Singapore and Taiwan at 35.2 per cent, 43.4 per cent and 46.1 per cent respectively).

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

	30.06.22			
Amortised cost	**Asia % Gross**	**Africa & Middle East % Gross**	**Europe & Americas % Gross**	**Total % Gross**
Less than 50 per cent	**67.5**	**38.9**	**20.9**	**66.1**
50 per cent to 59 per cent	**12.0**	**20.3**	**23.6**	**12.4**
60 per cent to 69 per cent	**8.2**	**17.1**	**33.3**	**8.8**
70 per cent to 79 per cent	**8.5**	**12.9**	**20.2**	**8.8**
80 per cent to 89 per cent	**2.9**	**6.2**	**1.8**	**3.0**
90 per cent to 99 per cent	**0.8**	**2.6**	**0.2**	**0.8**
100 per cent and greater	**0.1**	**2.0**	**–**	**0.1**
Average portfolio loan-to-value	**41.1**	**56.0**	**58.6**	**41.6**
Loans to individuals – mortgages ($million)	**83,753**	**1,542**	**1,671**	**86,966**

	31.12.21			
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

Collateral and other credit enhancements possessed or called upon (reviewed)

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

Certain equity securities acquired may be held by the Group for investment purposes and are classified as fair value through profit or loss, and the related loan written off. The carrying value of collateral possessed and held by the Group as at 30 June 2022 is $7.0 million (2021: $11.8 million).

	30.06.22 $million	31.12.21 $million
Property, plant and equipment	**5.4**	5.8
Guarantees	**1.6**	6.0
Other	**–**	-
Total	**7.0**	11.8

Other Credit Risk mitigation (reviewed)

Other forms of credit risk mitigation are set out below.

Credit default swaps

The Group has entered into credit default swaps for portfolio management purposes, referencing loan assets with a notional value of $5.1 billion (2021: $12.1 billion). These credit default swaps are accounted for as financial guarantees as per IFRS 9, as they will only reimburse the holder for an incurred loss on an underlying debt instrument. The Group continues to hold the underlying assets referenced in the credit default swaps and it continues to be exposed to related Credit and Foreign Exchange Risk on these assets.

Credit linked notes

The Group has issued credit linked notes for portfolio management purposes, referencing loan assets with a notional value of $12.5 billion (2021: $10.0 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 95).

Off-balance sheet exposures

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

Other portfolio analysis

This section provides maturity analysis by credit quality by industry and industry and retail products analysis by region.

Credit quality by industry

Loans and advances

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

From an industry perspective, loans and advances decreased by $5 billion to $298.7 billion (2021: $304.1 billion), of which $1 billion is in Corporate, Commercial and Institutional Banking and Central and other items segments ("Wholesale"), and $4 billion in Consumer, Private and Business Banking.

Stage 1 loans remained stable at $279 billion. Corporate, Commercial, and Institutional Banking and Central and other items stage 1 loans increased by $3.9 billion to $148.7 billion. Increases were in the Transport, telecom and utilities sector ($1.7 billion) and Energy sector ($1.4 billion) due to new deals, which were offset by reduction in exposures in Commercial real estate and Financing and Insurance sectors. Exposure to Government sector increased by $5 billion. Consumer, Private and Business Banking stage 1 loans decreased by $4 billion from lower mortgage and secured wealth portfolio largely in Asia.

Stage 2 loans decreased by $4 billion to $12.5 billion (2021: $16.8 billion) driven by Corporate, Commercial and Institutional Banking, due to exposure reductions in Energy, Transport, telecom and utilities sectors.

Stage 3 loans decreased by $1 billion to $7.1 billion (2021: $8.1 billion) mainly from loan sales, repayments and upgrades in Corporate, Commercial and Institutional Banking.

	30.06.22											
	Stage 1			Stage 2			Stage 3			Total		
Amortised cost	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million
Industry:												
Energy	11,809	(29)	11,780	828	(40)	788	952	(661)	291	13,589	(730)	12,859
Manufacturing	22,991	(10)	22,981	1,021	(14)	1,007	756	(524)	232	24,768	(548)	24,220
Financing, insurance and non-banking	22,445	(7)	22,438	997	(13)	984	255	(208)	47	23,697	(228)	23,469
Transport, telecom and utilities	14,512	(8)	14,504	2,597	(47)	2,550	565	(278)	287	17,674	(333)	17,341
Food and household products	8,873	(6)	8,867	472	(14)	458	374	(225)	149	9,719	(245)	9,474
Commercial real estate	14,195	(63)	14,132	2,212	(82)	2,130	841	(503)	338	17,248	(648)	16,600
Mining and quarrying	4,955	(2)	4,953	452	(15)	437	227	(140)	87	5,634	(157)	5,477
Consumer durables	8,176	(3)	8,173	292	(15)	277	421	(342)	79	8,889	(360)	8,529
Construction	2,541	(2)	2,539	425	(6)	419	537	(394)	143	3,503	(402)	3,101
Trading companies & distributors	957	(1)	956	112	(2)	110	145	(132)	13	1,214	(135)	1,079
Government	31,564	(2)	31,562	650	(5)	645	141	(8)	133	32,355	(15)	32,340
Other	5,672	(7)	5,665	583	(7)	576	343	(160)	183	6,598	(174)	6,424
Retail Products:												
Mortgage	85,630	(16)	85,614	975	(6)	969	569	(186)	383	87,174	(208)	86,966
Credit Cards	5,988	(82)	5,906	335	(60)	275	69	(43)	26	6,392	(185)	6,207
Personal loans and other unsecured lending	10,470	(205)	10,265	194	(52)	142	308	(145)	163	10,972	(402)	10,570
Auto	529	(1)	528	1	–	1	–	–	–	530	(1)	529
Secured wealth products	19,867	(53)	19,814	239	(6)	233	443	(295)	148	20,549	(354)	20,195
Other	7,962	(5)	7,957	154	(1)	153	107	(89)	18	8,223	(95)	8,128
Net carrying value (customers)[1]	279,136	(502)	278,634	12,539	(385)	12,154	7,053	(4,333)	2,720	298,728	(5,220)	293,508

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $7,894 million

Amortised cost	31.12.21 Stage 1 Gross balance $million	Stage 1 Total credit impairment $million	Stage 1 Net carrying amount $million	Stage 2 Gross balance $million	Stage 2 Total credit impairment $million	Stage 2 Net carrying amount $million	Stage 3 Gross balance $million	Stage 3 Total credit impairment $million	Stage 3 Net carrying amount $million	Total Gross balance $million	Total Total credit impairment $million	Total Net carrying amount $million
Industry:												
Energy	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 & 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
Credit Cards[2]	5,899	(90)	5,809	388	(74)	314	61	(44)	17	6,348	(208)	6,140
Personal loans and other unsecured lending[2]	10,981	(188)	10,793	182	(58)	124	334	(210)	124	11,497	(456)	11,041
Equipment Leased												
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
Net carrying 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

2 Prior year has been re-presented to provide product granularity

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 Government, Manufacturing, Financing, insurance and non-banking sectors for wholesale exposures.

Net loans and advances to customers decreased by $5.0 billion to $293.5 billion (2021: $298.5 billion) of which Asia decreased by $2 billion and Europe and the Americas reduced by $2.6 billion.

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 3,416 clients.

Loans and advances to the Energy sector in Corporate, Commercial and Institutional Banking was $13.6 billion and broadly stable from 2021. The Energy sector lending is spread across five sub-sectors and over 181 clients.

The Group provides loans to Commercial real estate counterparties of $17 billion. In total, $8.5 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 48 per cent, compared with 50 per cent in 2021 (51 per cent in 2020). The proportion of loans with an LTV greater than 80 per cent has decreased to 1 per cent, compared with 2 per cent in 2021 (4 per cent in 2020).

Consumer, Private and Business Banking net loans decreased by $3.9 billion to $132.6 billion (2021: $136.5 billion) driven by a decrease in secured products in Asia.

	30.06.22				31.12.21			
Amortised cost	ASIA $million	Africa & Middle East $million	Europe & Americas $million	Total $million	ASIA $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Industry:								
Energy	9,709	1,332	1,818	12,859	6,265	2,721	3,719	12,705
Manufacturing	19,447	1,578	3,195	24,220	20,771	1,751	2,702	25,224
Financing, insurance and non-banking	12,920	796	9,753	23,469	14,184	905	10,588	25,677
Transport, telecom and utilities	11,396	4,112	1,833	17,341	11,661	4,218	2,446	18,325
Food and household products	5,836	2,482	1,156	9,474	5,497	2,360	1,033	8,890
Commercial real estate	13,971	833	1,796	16,600	17,150	1,048	1,649	19,847
Mining and quarrying	3,894	489	1,094	5,477	3,833	572	950	5,355
Consumer durables	7,498	474	557	8,529	6,742	398	403	7,543
Construction	1,873	731	497	3,101	1,839	814	400	3,053
Trading companies and distributors	869	173	37	1,079	1,047	176	37	1,260
Government	26,545	5,664	131	32,340	22,987	4,117	305	27,409
Other	4,093	920	1,411	6,424	4,681	670	1,311	6,662
Retail Products:								
Mortgages	83,753	1,542	1,671	86,966	85,765	1,651	1,806	89,222
Credit Cards[1]	5,904	303	–	6,207	5,849	291	–	6,140
Personal loans and other unsecured lending[1]	8,817	1,652	101	10,570	9,241	1,700	100	11,041
Auto	490	39	–	529	500	42	–	542
Secured wealth products	18,842	599	754	20,195	19,984	545	966	21,495
Other	7,378	750	–	8,128	7,265	813	–	8,078
Net loans and advances to customers	243,235	24,469	25,804	293,508	245,261	24,792	28,415	298,468
Net loans and advances to banks	22,688	5,043	8,470	36,201	30,301	5,966	8,116	44,383

1 Prior year has been re-presented to provide product granularity

Vulnerable and Cyclical Sector tables

Vulnerable and cyclical sectors are those that the Group considers to be most at risk from current economic stresses, including volatile energy and commodity prices, and we continue to monitor exposures to these sectors particularly carefully.

Total net on-balance sheet exposure to vulnerable sectors decreased by $2.4 billion to $31 billion compared to 31 December 2021, although the total net on and off-balance sheet exposure was unchanged at 28 per cent (2021: 28 per cent) of the total net exposure in Corporate, Commercial and Institutional Banking. The decrease is largely due to lower levels of drawn balances particularly in the Commercial real estate sector.

Stage 2 vulnerable sector loans decreased by $2.2 billion compared to 31 December 2021. This was primarily driven by a decrease in the Aviation and Oil & Gas sectors as exposure migrated to stage 1 partly offset by an increase in Commercial Real Estate.

Stage 3 vulnerable sector loans increased by $0.2 billion compared to 31 December 2021, mainly in the Commodity Traders sector from new downgrades.

The Group has net exposure of $3.7 billion (2021: $4.0 billion) to China Commercial real estate counterparties which are primarily booked in Hong Kong and China. Of this exposure, $1.6 billion (2021: $1.8 billion) is to property developers (whose cashflows have been particularly impacted by policy changes to deleverage the sector) that have been placed on purely precautionary and non-purely precautionary early alert. As a result of ongoing uncertainties affecting this sector, the Group has taken a $126 million (2021: $95 million) management overlay on credit impairment for the exposures on early alert at 30 June 2022 (see page 89). The Group is further indirectly exposed to China Commercial real estate through its associate investment in China Bohai Bank. Refer to Note 19 Investments in subsidiary undertakings, joint ventures and associates.

Maximum exposure

	30.06.22						
Amortised Cost	Maximum on Balance Sheet Exposure (net of credit impairment) $million	Collateral $million	Net On Balance Sheet Exposure $million	Undrawn Commitments (net of credit impairment) $million	Financial Guarantees (net of credit impairment) $million	Net Off Balance Sheet Exposure $million	Total On & Off Balance Sheet Net Exposure $million
Industry:							
Aviation[1]	3,114	1,648	1,466	1,445	735	2,180	3,646
Commodity Traders	8,575	332	8,243	3,094	8,745	11,839	20,082
Metals & Mining	4,061	385	3,676	3,271	729	4,000	7,676
Commercial Real Estate	16,601	7,118	9,483	6,618	249	6,867	16,350
Hotels & Tourism	2,087	812	1,275	1,564	137	1,701	2,976
Oil & Gas	7,379	902	6,477	8,214	7,321	15,535	22,012
Total	41,817	11,197	30,620	24,206	17,916	42,122	72,742
Total Corporate, Commercial & Institutional Banking	134,036	24,522	109,514	97,559	51,066	148,625	258,139
Total Group	329,709	132,910	196,799	162,762	58,193	220,955	417,754

	31.12.21						
Amortised Cost	Maximum On Balance Sheet Exposure (net of credit impairment) $million	Collateral $million	Net On Balance Sheet Exposure $million	Undrawn Commitments (net of credit impairment) $million	Financial Guarantees (net of credit impairment) $million	Net Off Balance Sheet Exposure $million	Total On & Off Balance Sheet Net Exposure $million
Industry:							
Aviation[1]	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

1 In addition to the aviation sector loan exposures, the Group owns $3.4 billion (31 December 2021: $3.1 billion) of aircraft under operating leases. Refer to page 157 Operating lease assets

Loans and advances by stage

	30.06.22											
	Stage 1			Stage 2			Stage 3			Total		
Amortised Cost	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million
Industry:												
Aviation[1]	**2,193**	**(2)**	**2,191**	**758**	**(1)**	**757**	**213**	**(47)**	**166**	**3,164**	**(50)**	**3,114**
Commodity Traders	**8,012**	**(6)**	**8,006**	**254**	**(3)**	**251**	**866**	**(548)**	**318**	**9,132**	**(557)**	**8,575**
Metals & Mining	**3,624**	**(2)**	**3,622**	**353**	**(11)**	**342**	**212**	**(115)**	**97**	**4,189**	**(128)**	**4,061**
Commercial Real Estate	**14,196**	**(63)**	**14,133**	**2,212**	**(82)**	**2,130**	**841**	**(503)**	**338**	**17,249**	**(648)**	**16,601**
Hotels & Tourism	**1,463**	**(2)**	**1,461**	**430**	**(5)**	**425**	**262**	**(61)**	**201**	**2,155**	**(68)**	**2,087**
Oil & Gas	**6,413**	**(6)**	**6,407**	**718**	**(12)**	**706**	**506**	**(240)**	**266**	**7,637**	**(258)**	**7,379**
Total	**35,901**	**(81)**	**35,820**	**4,725**	**(114)**	**4,611**	**2,900**	**(1,514)**	**1,386**	**43,526**	**(1,709)**	**41,817**
Total CCIB	**121,965**	**(141)**	**121,824**	**10,488**	**(253)**	**10,235**	**5,552**	**(3,575)**	**1,977**	**138,005**	**(3,969)**	**134,036**
Total Group	**314,916**	**(511)**	**314,405**	**12,910**	**(387)**	**12,523**	**7,131**	**(4,348)**	**2,783**	**334,957**	**(5,246)**	**329,711**

	31.12.21											
	Stage 1			Stage 2			Stage 3			Total		
Amortised cost	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million
Industry:												
Aviation[1]	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 CCIB	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

Loans and advances by region (net of credit impairment)

	30.06.22				31.12.21			
	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]	**1,298**	**1,050**	**766**	**3,114**	1,356	1,214	888	3,458
Commodity traders	**5,005**	**774**	**2,796**	**8,575**	4,352	660	3,720	8,732
Metals & mining	**2,904**	**440**	**717**	**4,061**	2,736	492	388	3,616
Commercial real estate	**13,972**	**833**	**1,796**	**16,601**	17,150	1,048	1,649	19,847
Hotel & tourism	**1,204**	**647**	**236**	**2,087**	1,464	397	529	2,390
Oil & gas	**3,839**	**2,051**	**1,489**	**7,379**	2,770	2,248	1,808	6,826
Total	**28,222**	**5,795**	**7,800**	**41,817**	29,828	6,059	8,982	44,869

1 In addition to the aviation sector loan exposures, the Group owns $3.4 billion (31 December 2021: $3.1 billion) of aircraft under operating leases. Refer to page 157 Operating lease assets

Credit quality – loans and advances

Amortised Cost Credit Grade	Aviation Gross $million	Commodity traders Gross $million	Metals & mining Gross $million	Commercial real estate Gross $million	Hotel & tourism Gross $million	Oil & gas Gross $million	Total Gross $million
	30.06.22						
Strong	1,043	5,170	2,582	7,470	756	4,517	21,538
Satisfactory	1,750	3,084	1,392	8,878	1,073	2,605	18,782
Higher risk	158	12	3	60	64	9	306
Defaulted	213	866	212	841	262	506	2,900
Total Gross Balance	3,164	9,132	4,189	17,249	2,155	7,637	43,526
Strong	(1)	(3)	(3)	(11)	(1)	(1)	(20)
Satisfactory	(2)	(5)	(10)	(130)	(4)	(17)	(168)
Higher risk	–	(1)	–	(4)	(2)	–	(7)
Defaulted	(47)	(548)	(115)	(503)	(61)	(240)	(1,514)
Total Credit Impairment	(50)	(557)	(128)	(648)	(68)	(258)	(1,709)
Strong	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%
Satisfactory	0.1%	0.2%	0.7%	1.5%	0.4%	0.7%	0.9%
Higher risk	0.0%	8.3%	0.0%	6.7%	3.1%	0.0%	2.3%
Defaulted	22.1%	63.3%	54.2%	59.8%	23.3%	47.4%	52.2%
Cover Ratio	1.6%	6.1%	3.1%	3.8%	3.2%	3.4%	3.9%

Credit Grade	Aviation[1] Gross $million	Commodity traders Gross $million	Metals & mining Gross $million	Commercial real estate Gross $million	Hotel & tourism Gross $million	Oil & gas Gross $million	Total Gross $million
	31.12.21						
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%

IFRS 9 expected credit loss methodology (reviewed)

Refer to pages 233 to 234 in the 2021 Annual Report for the 'Approach for determining expected credit losses', 'Application of lifetime', and pages 242 to 244 for 'Significant increase in credit risk (SICR)', 'Assessment of credit-impaired financial assets' and 'Governance and application of expert credit judgement in respect of expected credit losses'. There have been no changes to the Group's approach in determining SICR compared to 31 December 2021.

Composition of credit impairment provisions (reviewed)

The table below summarises the key components of the Group's credit impairment provision balances at 30 June 2022 and 31 December 2021.

Modelled ECL provisions, which includes post model adjustments, management overlays and the impact of multiple economic scenarios, reduced to 22 per cent (31 December 2021: 23 per cent) of total credit impairment provisions at 30 June 2022. 18 per cent of the modelled ECL provisions at 30 June 2022 related to judgemental adjustments compared with 25 per cent at 31 December 2021 primarily due to releases of the COVID-19 overlay.

30 June 2022	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items[3] $million	Total $million
Modelled ECL provisions (base forecast)	371	494	2	82	949
Impact of multiple economic scenarios[1]	39	36	–	21	96
Total ECL provisions before management judgements	410	530	2	103	1,045
Judgemental post model adjustments	–	17	–	–	17
Management overlays[2]					
– COVID-19	29	61	–	–	90
– China Commercial Real Estate	126	–	–	–	126
Total modelled provisions	565	608	2	103	1,278
Of which: Stage 1	194	367	2	61	624
Stage 2	314	129	–	42	485
Stage 3	57	112	–	–	169
Stage 3 non-modelled provisions[3]	3,723	645	–	74	4,442
Total credit impairment provisions	**4,288**	**1,253**	**2**	**177**	**5,720**

31 December 2021	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking[3] $million	Ventures[4] $million	Central & other items[3] $million	Total $million
Modelled ECL provisions (base forecast)	365	529	3	103	1,000
Impact of multiple economic scenarios[1]	32	14	–	9	55
Total ECL provisions before management judgements	397	543	3	112	1,055
Judgemental post model adjustments	–	7	–	–	7
Management overlays[2]					
– COVID-19	102	147	–	–	249
– China Commercial Real Estate	95	–	–	–	95
Total modelled provisions	594	697	3	112	1,406
Of which: Stage 1	163	377	1	68	609
Stage 2	425	185	2	44	656
Stage 3	6	135	–	–	141
Stage 3 non-modelled provisions	4,073	662	–	68	4,803
Total credit impairment provisions	4,667	1,359	3	180	6,209

1 Includes a post model adjustment (PMA) of $89 million (2021: $51 million) (see page 88)

2 $117 million (2021: $115 million) is in stage 1, $96 million (2021: $208 million) in stage 2 and $3 million (2021: $21 million) in stage 3

3 Includes $42 million (2021: nil) overlay

4 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

Post 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.

As at 30 June 2022, PMAs have been applied for 9 models out of the total of 172 models. In aggregate, the PMAs increase the Group's impairment provisions by $54 million (0.5 per cent of modelled provisions) compared with a $17 million increase at 31 December 2021, and primarily relate to a post model adjustment for multiple economic scenarios (see below for the basis of determining this PMA under 'impact of multiple economic scenarios') and unsecured Consumer lending models. The PMAs range between a $89 million increase (the post model adjustment for multiple economic scenarios) to a $24 million decrease in ECL (for Malaysia Business Clients).

As set out below, a separate judgemental management adjustments that covers risk not captured by the models has been applied after taking into account these PMAs.

	30.06.22 $ million	31.12.21 $ million
Model performance PMAs		
Corporate, Commercial & Institutional Banking	**45**	24
Consumer, Private & Business Banking	**(1)**	(15)
Central & other items	**10**	8
Total model performance PMAs	**54**	17

Key assumptions and judgements in determining expected credit loss

Incorporation of forward-looking information

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

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

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

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

In the Base Forecast – management's view of the most likely outcome – the world economy is expected to grow by around 3 per cent in 2022, easing from an almost 6 per cent expansion in 2021 and compares to a 30-year average of 3.5 per cent. The impact of the Russia/Ukraine war through elevated commodity prices and cost pressures, higher inflation and lower sentiment along with tightening monetary conditions are creating headwinds for many economies. Some key markets for the Group such as China and Hong Kong are also easing out of lockdown measures that were introduced to contain new waves of COVID-19 infections.

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.

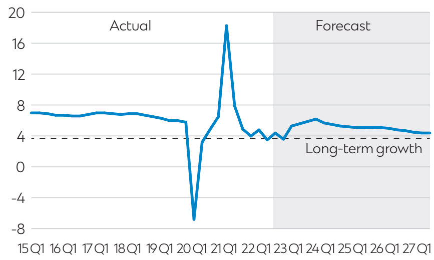
To assess the range of possible outcomes the Group simulates a set of 50 scenarios around the Base Forecast, calculates the ECL under each of them and assigns an equal weight of 2 per cent to each scenario outcome. These scenarios are generated by a Monte Carlo simulation, which addresses the challenges 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 below 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. The GDP graphs illustrate the shape of the Base Forecast in relation to prior periods' actuals and the long-term growth rates which is based on the pace of economic expansion expected for 2030.

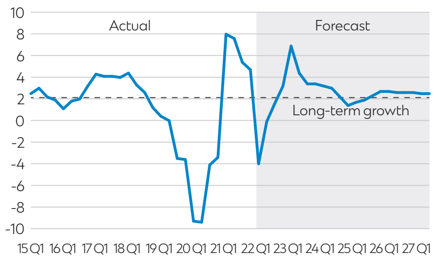
China's growth is expected to ease from over 8 per cent in 2021 to 4.1 per cent in 2022. Economic activity in the first half of the year was severely limited by reimposed lockdown measures in several major cities to stem the surge in new COVID-19 cases. However, the economy is likely to regain momentum in the second half of the year as business normalises and front-loaded government stimulus takes effect. Similarly for Hong Kong, measures to contain the cities' fifth COVID-19 wave led to a sharp contraction in activity in early 2022. In the near term the recovery will continue to be supported by the unwinding of social distancing measures and travel bans. Growth is expected to slow to 0.2 per cent in 2022 from over 6 per cent in 2021. Headwinds to Singapore's growth have been rising recently including the impact from China's slowdown and the Russia/Ukraine war, persistent global supply disruptions, and tighter monetary conditions. The economy is expected to expand by 3.8 per cent this year from 7.6 percent in 2021. External factors are also likely to play a key part in limiting Korea's prospects in the near term with GDP growth expected to ease to 2.7 per cent in 2022 from 4 per cent last year. Without the government's fiscal expansion, growth would be even lower. India's uncomfortably high inflation is adversely impacting activity, but growth is expected to be relatively firm at nearly 8 per cent in 2022.

Commodity prices have remained elevated mainly from the impact of the Russia/Ukraine war. Brent crude oil is expected to average around $105 in 2022. Prices are expected to fall over the next 18 months as production rises and demand eases; that said, the ongoing need to rebuild stocks is likely to keep prices relatively high.

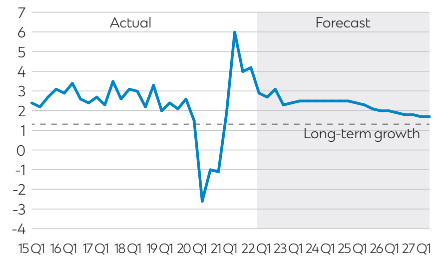
China GDP YoY%



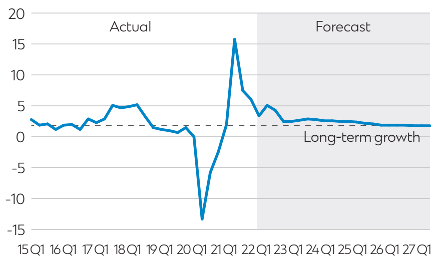
Hong Kong GDP YoY%



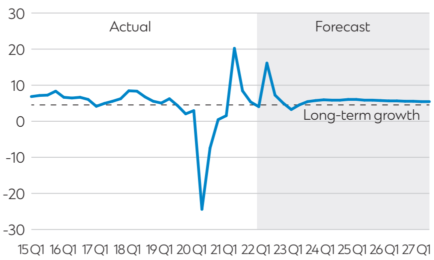
Korea GDP YoY%



Singapore GDP YoY%



India GDP YoY%



Long-term growth = GDP growth expected for 2030

	30.06.22							
	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[1]								
2022	4.1	4.0	1.8	0.8	0.2	4.6	1.3	2.5
2023	5.8	4.0	1.9	2.1	4.5	3.9	2.1	6.8
2024	5.4	4.0	2.3	4.3	2.5	3.9	2.5	3.1
2025	5.1	4.0	2.6	4.4	2.2	3.9	2.4	2.8
2026	4.7	3.9	2.8	4.4	2.6	3.9	2.4	2.7
5-year average[2]	5.1	4.0	2.4	3.5	2.8	3.9	2.3	3.8
Peak	6.2	4.0	2.9	4.4	6.9	4.2	2.5	8.9
Trough	3.6	3.9	1.8	(0.3)	1.4	3.9	1.6	2.7
Monte Carlo								
Low[3]	2.69	3.85	1.23	(1.69)	(1.03)	2.93	0.52	(7.55)
High[4]	8.01	4.09	3.82	9.55	8.75	5.11	4.54	18.93

	30.06.22							
	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	3.8	3.2	1.5	5.6	2.7	3.2	1.7	7.1
2023	2.8	3.1	2.1	1.8	2.5	3.4	2.2	0.0
2024	2.5	3.0	2.1	3.0	2.5	3.2	2.4	2.2
2025	2.1	3.0	2.3	3.5	2.2	3.1	2.5	2.8
2026	1.9	3.0	2.3	3.8	1.9	3.1	2.5	2.8
5-year average[2]	2.4	3.0	2.1	3.2	2.2	3.2	2.3	2.2
Peak	4.3	3.1	2.3	6.1	3.1	3.4	2.5	5.1
Trough	1.8	3.0	1.7	1.2	1.7	3.0	1.9	(0.3)
Monte Carlo								
Low[3]	(2.31)	2.15	1.31	(4.37)	(0.56)	2.63	1.22	(2.80)
High[4]	7.01	4.15	3.25	10.70	5.89	3.85	3.76	9.31

	30.06.22				
	India				
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)	Brent Crude $ pb
Base forecast[1]					
2022	7.7	N/A	4.6	7.1	104.6
2023	5.5	N/A	5.1	7.2	90.7
2024	6.0	N/A	5.6	7.2	83.3
2025	5.8	N/A	6.0	7.2	89.3
2026	5.6	N/A	6.1	7.1	108.0
5-year average[2]	5.6	N/A	5.6	7.2	94.3
Peak	7.3	N/A	6.1	7.2	110.3
Trough	3.3	N/A	4.5	6.9	79.0
Monte Carlo					
Low[3]	1.80	N/A	3.49	0.14	30.25
High[4]	16.80	N/A	7.40	16.80	206.49

	31.12.21							
	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[2]	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[3]	2.6	3.3	1.3	(2.8)	(1.7)	2.4	(0.3)	(12.4)
High[4]	8.3	3.5	4.6	11.1	6.9	5.8	5.0	22.8

	31.12.21							
	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]	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[3]	(4.0)	2.1	0.1	(4.1)	(3.1)	2.7	0.5	(5.2)
High[4]	9.4	4.5	4.2	15.4	7.1	4.5	4.3	9.5

	31.12.21				
	India				
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)	Brent crude $ pb
5-year average[2]	6.4	N/A	5.4	7.1	63.7
Peak	16.6	N/A	6.2	7.2	73.5
Trough	4.2	N/A	4.0	5.8	60.0
Monte Carlo					
Low[3]	2.0	N/A	3.2	(1.9)	8.9
High[4]	10.5	N/A	8.8	24.9	211.4

1 Annual numbers are for calendar year except for India where it covers fiscal year ending Q1 of each year. For example 2022 is Q2 2022 to Q1 2023

2 5 year averages reported for 30.06.22 cover Q3 2022 to Q2 2027. % year averages reported for 31.12.21 cover Q1 2022 to Q4 2026

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

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

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 $89 million post model adjustment for multiple economic scenarios has been applied. The total amount of non-linearity has been estimated by assigning probability weights of 57 per cent, 22 per cent, 12 per cent and 9 per cent respectively to the ECL from the Base Forecast, Central Bank Over Reaction, Stagflation and New COVID-19 Variant scenarios which are presented on pages 89 to 91 and comparing this to the unweighted base forecast ECL. The post model adjustment for multiple economic scenarios 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 post model adjustment for multiple economic scenarios) on stage 1, stage 2 and stage 3 modelled ECL is set out in the table below together with the management overlay.

	Base forecast[1] $million	Multiple economic scenarios $million	Management overlays $million	Total $million
Total expected credit loss at 30 June 2022[2]	**966**	**96**	**216**	**1,278**
Total expected credit loss at 31 December 2021[2]	1,007	55	344	1,406

1 Includes judgemental post model adjustments

2 Total modelled ECL comprises stage 1 and stage 2 balances of $1,109 million (31 December 2021: $1,265 million) and $169 million (31 December 2021: $141 million) of modelled ECL on stage 3 loans

The average expected credit loss under multiple scenarios is 10 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.

Judgemental adjustments

Post model adjustments

As at 30 June 2022, judgemental post model adjustments of $17 million (31 December 2021: $7 million) have been applied to certain Consumer, Private and Business Banking models primarily 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.

Management overlays

As at 30 June 2022, the Group held:

- A $90 million (31 December 2021: $249 million) management overlay relating to uncertainties as a result of the COVID-19 pandemic, $29 million (31 December 2021: $102 million) of which relates to Corporate, Commercial and Institutional Banking and $61 million (31 December 2021: $147 million) to Consumer, Private and Business Banking. $53 million (31 December 2021: $84 million) of the overlay is held in stage 1, $34 million (31 December 2021: $144 million) in stage 2 and $3 million (31 December 2021: $21 million) in stage 3.
- A $126 million (31 December 2021: $95 million) management overlay relating to uncertainties around exposures to China Commercial Real Estate, all of which relates to Corporate, Commercial and Institutional Banking. $64 million (31 December 2021: $31 million) is held in stage 1 and $62 million (31 December 2021: $64 million) in stage 2.
- A $42 million management overlay relating to uncertainties around stage 3 exposures in Sri Lanka all of which relates to Corporate, Commercial and Institutional Banking. The $42 million is held in stage 3.

The overlays have been determined after taking account of the PMAs reported and they are reassessed 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 2021, 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 30 June 2022. 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 compared to 2021, although the assumed level of further deterioration was reduced in 2021 in line with our experience. The overlay has steadily reduced from $102 million in 2021 to $29 million at 30 June 2022 as the level of COVID-19 related non-purely precautionary early alerts has reduced.

Consumer, Private and Business Banking

COVID-19 continues to affect our markets in the first half of 2022, though many of our major markets have started opening their borders and returning to a normal way of life. In Asia, markets such as China, Hong Kong, Korea and Taiwan have experienced relatively higher COVID-19 infection rates between March and June, with some countries placed under lockdowns, causing continued disruption in some sectors. While industry wide government relief measure has ended for most markets, there has been a few markets which has only ended recently while some are available for specific segments. Accordingly, we continue to hold overlay against these exposure for potential masking of underlying risk, although the overall quantum has reduced.

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 $3.7 billion at 30 June 2022. 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 $126 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 Stressed Asset Risk incorporate forward-looking economic assumptions in respect of the recovery outcomes identified, and are assigned individual probability weightings. These assumptions are not based on a Monte Carlo simulation but are informed by the Base Forecast.

Sensitivity of expected credit loss calculation to macroeconomic variables

The ECL calculation relies on multiple variables and is inherently non-linear and portfolio-dependent, which implies that no single analysis can fully demonstrate the sensitivity of the ECL to changes in the macroeconomic variables. The Group has conducted a series of analyses with the aim of identifying the macroeconomic variables which might have the greatest impact on 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. Three downside scenarios were considered. In the Central Bank Over Reaction scenario a faster monetary tightening by central banks leads to financial market volatility and a modestly weaker world growth relative to baseline. In the Stagflation scenario the intensification of the conflict between Russia and the West leads to further material spikes in commodity prices, persistently higher inflation and interest rates, lower consumer and business confidence and a material slowdown in the world economy. In the new COVID-19 virus variant scenario a new infection wave in emerging markets and developing economies, results in the re-introduction of severe lockdown measures and deep contractions in many economies. Travel restrictions significantly impact the Aviation and Hotels and tourism sectors.

	Baseline		Central Bank over Reaction		Stagflation		New COVID-19 Variant	
	Five year average	Peak/ Trough	Five year average	Peak/ Trough	Five year average	Peak/ Trough	Five year average	Peak/ Trough
China GDP	5.1	6.2/3.6	4.8	5.9/2.9	4.5	7.2/0.7	5.2	13.4/(5.4)
China unemployment	4.0	4.0/3.9	4.1	4.2/3.9	5.3	6.4/3.9	4.0	5.9/3.3
China property prices	3.5	4.4/(0.3)	2.5	4.4/(3.9)	3.3	15.9/(23.1)	4.1	6.6/(1.6)
Hong Kong GDP	2.8	6.9/1.4	2.6	5.6/1.1	2.0	5.8/(0.6)	3.0	11.6/(8.3)
Hong Kong unemployment	3.9	4.2/3.9	4.0	4.2/3.9	6.0	7.9/3.9	4.5	6.8/3.8
Hong Kong property prices	3.8	8.9/2.7	2.4	6.0/(3.2)	2.5	9.5/(1.0)	4.0	25.2/(21.2)
US GDP	2.2	2.7/1.6	1.9	2.4/0.3	1.9	3.1/(0.2)	1.8	13.1/(11.6)
Singapore GDP	2.4	4.3/1.8	2.2	3.7/1.6	2.2	4.1/(0.8)	1.9	11.1/(9.3)
India GDP	5.6	7.3/3.3	5.2	6.7/2.0	4.3	6.0/(0.4)	5.9	19.3/(11.0)
Crude oil	94.3	110.3/79.0	96.0	111.3/79.0	102.3	182.2/79	50.7	59.4/32.7

Period covered from Q3 2022 to Q2 2027.

	Base (GDP, YoY%)					Central Bank Over Reaction (GDP, YoY%)					Difference from Base				
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
China	4.7	5.8	5.2	5.0	4.5	3.9	5.5	5.2	5.0	4.5	(0.8)	(0.3)	0.0	0.0	0.0
Hong Kong	4.0	3.3	1.8	2.6	2.5	3.0	3.1	1.8	2.6	2.5	(1.0)	(0.2)	0.0	0.0	0.0
US	2.0	2.1	2.3	2.4	2.3	0.8	1.8	2.3	2.4	2.3	(1.2)	(0.3)	0.0	0.0	0.0
Singapore	3.0	2.7	2.4	2.0	1.8	2.2	2.6	2.4	2.0	1.8	(0.8)	(0.1)	0.0	0.0	0.0
India	5.0	5.8	6.0	5.8	5.5	3.8	4.8	6.1	5.8	5.5	(1.2)	(0.9)	0.1	0.0	0.0

Each year is from Q3 to Q2. For example 2022 is from Q3 2022 to Q2 2023.

	Base (GDP, YoY%)					Stagflation GDP, YoY%)					Difference from Base				
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
China	4.7	5.8	5.2	5.0	4.5	1.5	2.9	5.7	6.8	5.5	(3.3)	(2.9)	0.5	1.8	1.0
Hong Kong	4.0	3.3	1.8	2.6	2.5	0.3	(0.3)	1.9	5.2	2.8	(3.7)	(3.6)	0.1	2.6	0.3
US	2.0	2.1	2.3	2.4	2.3	0.5	0.8	2.2	3.1	2.8	(1.5)	(1.3)	0.0	0.7	0.5
Singapore	3.0	2.7	2.4	2.0	1.8	0.7	0.3	2.8	3.9	3.1	(2.3)	(2.4)	0.4	1.9	1.3
India	5.0	5.8	6.0	5.8	5.5	1.7	4.1	5.2	5.9	4.6	(3.4)	(1.6)	(0.8)	0.1	(0.9)

Each year is from Q3 to Q2. For example 2022 is from Q3 2022 to Q2 2023.

	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	4.7	5.8	5.2	5.0	4.5	(3.3)	12.0	6.9	5.3	5.1	(8.1)	6.2	1.7	0.3	0.6
Hong Kong	4.0	3.3	1.8	2.6	2.5	(4.5)	9.9	4.2	2.6	2.5	(8.5)	6.6	2.4	(0.0)	0.0
US	2.0	2.1	2.3	2.4	2.3	(9.4)	11.0	3.8	1.8	1.8	(11.4)	8.9	1.5	(0.5)	(0.5)
Singapore	3.0	2.7	2.4	2.0	1.8	(7.5)	9.4	3.5	1.9	2.3	(10.5)	6.6	1.1	(0.0)	0.4
India	5.0	5.8	6.0	5.8	5.5	(8.9)	16.9	8.5	6.2	6.6	(13.9)	11.1	2.5	0.4	1.0

Each year is from Q3 to Q2. For example 2022 is from Q3 2022 to Q2 2023.

The total reported stage 1 and 2 ECL provisions (including both on and off-balance sheet instruments) would be approximately $59 million higher under the Central Bank Over Reaction scenario, $325 million higher under the global stagflation scenario and $488 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 3.1 per cent to 3.3 per cent, 4.1 per cent and 7.4 per cent respectively under the three scenarios. This includes the impact of exposures transferring to stage 2 from stage 1 but does not consider an increase in stage 3 defaults.

Most of the increase under the new COVID-19 variant scenario was in Corporate, Commercial and Institutional Banking, whereas under the stagflation scenario most of the increase was in Consumer, Private and Business Banking. Under the Central Bank Over Reaction scenario the impact was more evenly split across portfolios. For Corporate, Commercial and Institutional Banking, most of the increases under all three scenarios came from the main corporate portfolios in the United Kingdom, Hong Kong and the United Arab Emirates, whereas the large unsecured retail portfolios accounted for most of the increases for Consumer, Private and Business Banking (Taiwan and Korea Personal Loans portfolios were impacted under both the Stagflation and Central Bank Over Reaction scenarios, whereas the Malaysia and Singapore Credit Card 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	Central Bank over reaction ECL $m	Stagflation ECL $m	New COVID-19 variant ECL $m
Corporate, Commercial & Institutional Banking	314	344	420	684
Consumer, Private & Business Banking	402	430	614	505
Ventures[2]	2	2	2	2
Central & other items	82	83	89	97
Total stage 1 and 2 before overlays and multiple scenarios	800	859	1,125	1,288
Stage 1 and 2 management overlays	213			
Impact of multiple economic scenarios	96			
Total reported stage 1 and 2 ECL	1,109			
Stage 3 ECL[1]	4,611			
Total reported ECL	5,720			

1 Includes $45 million of management overlays

2 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022

Proportion of assets in stage 2[1]

	Base forecast scenario %	Central bank over reaction scenario %	Stagflation scenario %	New COVID-19 variant scenario %
Corporate, Consumer & Institutional Banking	5.5	5.9	7.4	15.5
Consumer, Private & Business Banking	1.8	1.9	2.9	2.7
Ventures[2]	1.4	1.4	1.4	1.4
Central & other items	1.3	1.3	1.4	1.5
Total	3.1	3.3	4.1	7.4

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

2 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022

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 (reviewed)

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

- Trading book:
  - The Group provides clients access to financial markets, facilitation of which entails 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 of our 2021 Annual Report.

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 movements (reviewed)

Value at Risk (VaR) allows the Group to manage Market Risk across the trading book and most of the fair valued non-trading books[2]. The scope of instruments included in the VaR was changed in 2021 to exclude instruments held at amortised cost. The 2021 VaR numbers presented reflect the revised scope.

The average level of total trading and non-trading VaR in the first half of 2022 was $50.5 million, 33.6 per cent higher than the second half of 2021 ($37.8 million) and 30.2 per cent lower than the first half of 2021 ($72.4 million). The actual level of total trading and non-trading VaR as at the end of the first half of 2022 was $59.2 million, 36.4 per cent higher than in the second half of 2021 ($43.4 million) and 76.7 per cent higher than the first half of 2021 ($33.5 million). The increase in total average VaR was driven by extreme market volatility following the Russia/Ukraine war which impacted Commodity prices and in particular, energy markets.

For the trading book, the average level of VaR in the first half of 2022 was $17.2 million, 15.4 per cent higher than in the second half of 2021 ($14.9 million) and 11.8 per cent lower than in the first half of 2021 ($19.5 million). Trading activities have remained relatively unchanged, and client driven.

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

	6 months ended 30.06.22				6 months ended 31.12.21				6 months ended 30.06.21			
Trading[1] and non-trading[2]	**Average $million**	**High[3] $million**	**Low[3] $million**	**Half Year $million**	Average $million	High[3] $million	Low[3] $million	Year End $million	Average $million	High[3] $million	Low[3] $million	Half Year $million
Interest Rate Risk[6]	**30.8**	**42.1**	**23.3**	**24.0**	24.2	29.7	16.4	26.0	38.6	68.3	20.8	20.8
Credit Spread Risk[6]	**32.5**	**45.1**	**20.3**	**44.9**	19.1	29.3	14.8	21.5	49.4	97.6	17.2	21.3
Foreign Exchange Risk	**6.5**	**8.0**	**5.4**	**5.7**	6.4	8.3	4.2	7.0	8.2	19.0	4.8	5.7
Commodity Risk	**6.3**	**11.9**	**3.5**	**6.6**	3.6	8.6	2.5	3.6	5.9	10.4	2.9	3.3
Equity Risk	**0.1**	**0.2**	**–**	**0.2**	1.2	1.5	1.1	1.4	1.4	1.7	1.0	1.3
Total[4]	**50.5**	**61.1**	**40.3**	**59.2**	37.8	46.2	30.7	43.4	72.4	140.7	33.3	33.5

	6 months ended 30.06.22				6 months ended 31.12.21				6 months ended 30.06.21			
Trading[1]	**Average $million**	**High[3] $million**	**Low[3] $million**	**Half Year $million**	Average $million	High[3] $million	Low[3] $million	Year End $million	Average $million	High[3] $million	Low[3] $million	Half Year $million
Interest Rate Risk[5]	**7.9**	**10.5**	**5.8**	**9.0**	7.1	9.6	5.2	7.2	8.1	10.2	6.1	8.0
Credit Spread Risk[5]	**9.3**	**14.9**	**5.0**	**13.1**	6.0	9.3	4.1	6.2	11.1	19.2	5.7	6.2
Foreign Exchange Risk	**6.5**	**8.0**	**5.4**	**5.7**	6.4	8.3	4.2	7.0	8.2	19.0	4.8	5.7
Commodity Risk	**6.3**	**11.9**	**3.5**	**6.6**	3.6	8.6	2.5	3.6	5.9	10.4	2.9	3.3
Equity Risk	**–**	**–**	**–**	**–**	–	–	–	–	–	–	–	–
Total[4]	**17.2**	**24.4**	**12.6**	**19.2**	14.9	18.1	12.3	15.3	19.5	28.4	13.5	14.0

	6 months ended 30.06.22				6 months ended 31.12.21				6 months ended 30.06.21			
Non-trading[2]	**Average $million**	**High[3] $million**	**Low[3] $million**	**Half Year $million**	Average $million	High[3] $million	Low[3] $million	Year End $million	Average $million	High[3] $million	Low[3] $million	Half Year $million
Interest Rate Risk	**30.9**	**44.5**	**22.9**	**22.9**	24.3	29.3	18.2	24.3	40.7	68.2	21.3	22.2
Credit Spread Risk	**27.5**	**36.8**	**18.7**	**36.4**	17.3	26.1	14.4	20.2	41.5	80.0	16.8	19.2
Equity Risk[6]	**0.1**	**0.2**	**–**	**0.2**	1.2	1.5	1.1	1.4	1.4	1.7	1.0	1.3
Total[4]	**45.9**	**52.5**	**36.3**	**48.1**	33.0	41.0	25.3	38.3	61.7	106.3	28.4	30.3

1 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

2 The non-trading book VaR does not include syndicated loans

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

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

5 Comparative information for 2021 has been represented to reflect the split between Interest Rate Risk and Credit Spread Risk

6 Non-trading Equity Risk VaR includes only listed equities

Risks not in VaR

In the first half of 2022, the main market risks not reflected in VaR were:

- 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
- 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
- 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 30 June 2022.

Backtesting

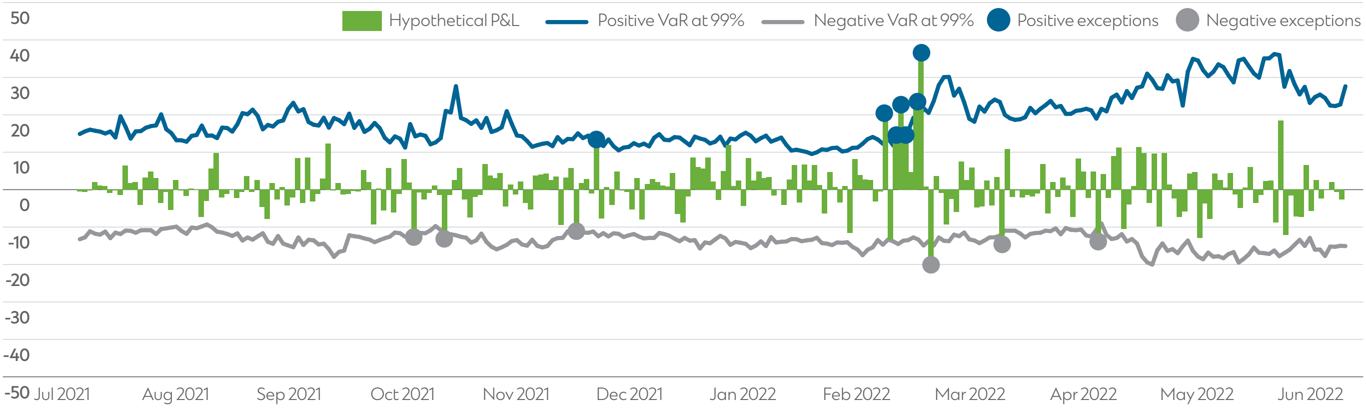
In the first half of 2022, there were three regulatory backtesting negative exceptions at Group level (in the second half of 2021, there were three regulatory backtesting negative exceptions at Group level). Group exceptions occurred on:

- 9 March: When risk assets rallied on hope of a truce agreement between Russia and Ukraine
- 29 March: When oil and base metal prices fell on the prospect of further ceasefire talks between Russia and Ukraine, and following a resurgence of COVID-19 cases in China
- 25 April: When risk assets fell following an announcement by Chinese authorities of expanded COVID-19 testing requirements amidst rising cases

In total, there have been six Group exceptions in the previous 250 business days which is within the 'amber 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.

Half year 2022 Backtesting Chart
Internal Model Approach regulatory trading book at Group Level
Hypothetical Profit and Loss (P&L) versus VaR (99 per cent, one day)



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

The average level of total trading daily income in the first half of 2022 was $15.7 million, 46.7 per cent higher than in 2021 ($10.7 million), due to higher trading income driven by an increase in interest rates, commodity prices and higher levels of market volatility.

Trading[2]	**6 months ended 30.06.22 $million**	6 months ended 31.12.21 $million	6 months ended 30.06.21 $million
Interest Rate Risk	**6.4**	2.9	3.7
Credit Spread Risk	**0.7**	0.8	1.0
Foreign Exchange Risk	**6.8**	4.4	5.0
Commodity Risk	**1.8**	0.8	1.0
Equity Risk	**–**	–	–
Total	**15.7**	8.9	10.7

Non-trading[2]	**6 months ended 30.06.22 $million**	6 months ended 31.12.21 $million	6 months ended 30.06.21 $million
Interest Rate Risk	**0.4**	0.1	0.8
Credit Spread Risk	**1.1**	0.1	0.3
Equity Risk	**–**	–	–
Total	**1.5**	0.2	1.1

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

2 2021 figures have been restated to exclude income from non fair value positions

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

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

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

Liquidity and Funding Risk

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

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

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

Despite the challenging environment, the Group has been resilient and kept a strong liquidity position. The Group continues to focus on improving the quality of its funding mix and remains committed to supporting its clients.

Liquidity and Funding Risk metrics

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

The following liquidity and funding Board Risk Appetite metrics define the maximum amount and type of risk that the Group is willing to assume in pursuit of its strategy: liquidity coverage ratio (LCR), liquidity stress survival horizons, external wholesale borrowing, and advances-to-deposits ratio. The Net Stable Funding Ratio was also included within Board Risk Appetite in January 2022.

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 HY 2022.

At the reporting date, the Group LCR was 142 per cent (2021: 143 per cent), with a surplus to both Board-approved Risk Appetite and regulatory requirements.

Adequate liquidity was held across our footprint to meet all local prudential LCR requirements where applicable.

	30.06.22 $million	31.12.21 $million
Liquidity buffer	180,348	172,178
Total net cash outflows	127,205	120,788
Liquidity coverage ratio	142%	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 Board-level Risk Appetite Statement which includes the following:

"The Group should have sufficient stable or diverse sources of funding to meet its contractual and contingent obligations as they fall due."

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 with the rest of the market assumed to be operating 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 30 June 2022, and respective countries were 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 30 June 2022 were A+ with negative outlook (Fitch), A+ with stable outlook (S&P) and A1 with stable outlook (Moody's). On 6 July 2022, Fitch revised the negative outlook to stable. As of 30 June 2022, the estimated contractual outflow of a three-notch long-term ratings downgrade is $1.3 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 increased by 0.5 per cent to 59.6 per cent, mainly driven by a reduction of 4 per cent in customer deposits and 3 per cent in customer loans and advances.

	30.06.22 $million	31.12.21 $million
Total loans and advances to customers[1,2]	277,141	285,922
Total customer accounts[3]	464,777	483,861
Advances-to-deposits ratio	59.6%	59.1%

1 Excludes reverse repurchase agreement and other similar secured lending of $7,894 million and includes loans and advances to customers held at fair value through profit and loss of $8,445 million

2 Loans and advances to customers for the purpose of the advances-to-deposits ratio excludes $16,918 million of approved balances held with central banks, confirmed as repayable at the point of stress (31 December 2021: $15,168 million)

3 Includes customer accounts held at fair value through profit or loss of $11,035 million (31 December 2021: $9,291 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, though the Group has maintained an average ratio of above 125%.

Liquidity pool

The liquidity value of the Group's LCR eligible liquidity pool at the reporting date was $180 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.

	30.06.22			
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Level 1 securities				
Cash and balances at central banks	30,307	1,685	43,140	75,132
Central banks, governments /public sector entities	43,756	1,952	26,038	71,746
Multilateral development banks and international organisations	7,013	788	12,055	19,856
Other	18	21	1,511	1,550
Total Level 1 securities	81,094	4,446	82,744	168,284
Level 2A securities	5,556	173	5,481	11,210
Level 2B securities	89	21	744	854
Total LCR eligible assets	86,739	4,640	88,969	180,348

	31.12.21			
	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

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 could be suitable for use in secured funding structures such as securitisations.

Unencumbered – cannot be encumbered

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

Derivatives, reverse repurchase assets and stock lending

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

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

	30.06.22									
		Assets encumbered as a result of transactions with counterparties other than central banks			Other assets (comprising assets encumbered at the central bank and unencumbered assets)					
						Assets not positioned at the central bank				
	Assets $million	As a result of securiti-sations $million	Other $million	Total $million	Assets positioned at the central bank (ie pre-positioned plus encumbered) $million	Readily available for encumbrance $million	Other assets that are capable of being encumbered $million	Derivatives and reverse repo/stock lending $million	Cannot be encumbered $million	Total $million
Cash and balances at central banks	67,005	–	–	–	11,269	55,736	–	–	–	67,005
Derivative financial instruments	76,676	–	–	–	–	–	–	76,676	–	76,676
Loans and advances to banks[1]	62,640	–	82	82	–	29,234	9,049	22,672	1,603	62,558
Loans and advances to customers[1]	354,474	–	4,471	4,471	–	–	276,556	60,415	13,032	350,003
Investment securities[2]	195,603	–	16,368	16,368	113	142,340	32,180	–	4,602	179,235
Other assets	62,136	–	18,691	18,691	–	–	12,994	–	30,451	43,445
Current tax assets	586	–	–	–	–	–	–	–	586	586
Prepayments and accrued income	2,354	–	–	–	–	–	1,111	–	1,243	2,354
Interests in associates and joint ventures	2,105	–	–	–	–	–	–	–	2,105	2,105
Goodwill and intangible assets	5,537	–	–	–	–	–	–	–	5,537	5,537
Property, plant and equipment	5,671	–	–	–	–	–	448	–	5,223	5,671
Deferred tax assets	909	–	–	–	–	–	–	–	909	909
Assets classified as held for sale	221	–	–	–	–	–	–	–	221	221
Total	835,917	–	39,612	39,612	11,382	227,310	332,338	159,763	65,512	796,305

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

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

	31.12.21									
		Assets encumbered as a result of transactions with counterparties other than central banks			Other assets (comprising assets encumbered at the central bank and unencumbered assets)					
						Assets not positioned at the central bank				
	Assets $million	As a result of securiti-sations $million	Other $million	Total $million	Assets positioned at the central bank (ie pre-positioned plus encumbered) $million	Readily available for encumbrance $million	Other assets that are capable of being encumbered $million	Derivatives and reverse repo/stock lending $million	Cannot be encumbered $million	Total $million
Cash and balances at central banks	72,663	–	–	–	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

The Group received $108,816 million (31 December 2021: $117,408 million) as collateral under reverse repurchase agreements that was eligible for repledging; of this, the Group sold or repledged $48,520 million (31 December 2021: $57,879 million) under repurchase agreements.

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

Contractual maturity of assets and liabilities

The following table presents assets and liabilities by maturity groupings based on the remaining period to the contractual maturity date as at the balance sheet date on a discounted basis. Contractual maturities do not necessarily reflect actual repayments or cashflows.

Within the tables below, cash and balances with central banks, interbank placements and investment securities that are fair value through other comprehensive income are used by the Group principally for liquidity management purposes.

As at the reporting date, assets remain predominantly short-dated, with 60 per cent maturing in under one year. Our less than three-month cumulative net funding gap decreased slightly from the previous year.

	30.06.22								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Cash and balances at central banks	55,736	–	–	–	–	–	–	11,269	67,005
Derivative financial instruments	14,989	15,018	12,715	8,649	4,120	6,114	9,990	5,081	76,676
Loans and advances to banks[1,2]	24,335	14,642	12,952	3,911	2,668	2,202	1,409	521	62,640
Loans and advances to customers[1,2]	99,400	47,410	28,694	15,891	14,280	19,558	34,600	94,641	354,474
Investment securities	12,700	19,859	15,505	12,393	11,433	23,769	46,196	53,748	195,603
Other assets	33,761	22,316	1,022	165	799	40	46	21,370	79,519
Total assets	240,921	119,245	70,888	41,009	33,300	51,683	92,241	186,630	835,917
Liabilities									
Deposits by banks[1,3]	39,619	3,497	2,060	803	922	642	26	3	47,572
Customer accounts[1,4]	408,477	42,531	23,076	10,017	11,141	7,286	2,825	1,658	507,011
Derivative financial instruments	14,947	15,427	12,062	8,515	3,920	7,102	9,205	4,919	76,097
Senior debt[5]	262	655	180	545	785	5,673	17,278	12,116	37,494
Other debt securities in issue[1]	2,981	6,881	9,103	2,863	2,075	2,048	1,145	260	27,356
Other liabilities	28,136	31,243	1,973	691	1,195	562	1,327	10,635	75,762
Subordinated liabilities and other borrowed funds	7	72	802	2,172	40	1,359	2,382	8,099	14,933
Total liabilities	494,429	100,306	49,256	25,606	20,078	24,672	34,188	37,690	786,225
Net liquidity gap	(253,508)	18,939	21,632	15,403	13,222	27,011	58,033	148,940	49,692

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 133 to 151)

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $83.1 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of $14.8 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of $42.2 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

	31.12.21								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Cash and balances at central banks	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	2,493	9,494	16,646
Total liabilities	494,619	101,014	46,824	21,033	21,040	19,360	29,594	41,698	775,182
Net liquidity gap	(264,645)	29,189	11,190	13,553	15,087	34,683	67,885	145,694	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 133 to 151)

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

Behavioural maturity of financial assets and liabilities

The cashflows presented in the previous section reflect the cashflows that will be contractually payable over the residual maturity of the instruments. However, contractual maturities do not necessarily reflect the timing of actual repayments or cashflow. In practice, certain assets and liabilities behave differently from their contractual terms, especially for short-term customer accounts, credit card balances and overdrafts, which extend to a longer period than their contractual maturity. On the other hand, mortgage balances tend to have a shorter repayment period than their contractual maturity date. Expected customer behaviour is assessed and managed on a country basis using qualitative and quantitative techniques, including analysis of observed customer behaviour over time.

Maturity of financial liabilities on an undiscounted basis (reviewed)

The following table analyses the contractual cashflows payable for the Group's financial liabilities by remaining contractual maturities on an undiscounted basis. The financial liability balances in the table below will not agree with the balances reported in the consolidated balance sheet as the table incorporates all contractual cashflows, on an undiscounted basis, relating to both principal and interest payments. Derivatives not treated as hedging derivatives are included in the 'On demand' time bucket and not by contractual maturity.

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

	30.06.22								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Deposits by banks	39,390	3,446	2,063	804	931	643	23	7	47,307
Customer accounts	408,607	42,669	23,280	10,166	11,397	7,408	2,974	2,137	508,638
Derivative financial instruments[1]	73,199	8	169	164	4	513	938	1,102	76,097
Debt securities in issue	3,334	7,606	9,520	3,614	3,070	8,525	20,070	23,796	79,535
Subordinated liabilities and other borrowed funds	99	173	848	2,222	49	1,506	3,159	15,025	23,081
Other liabilities	26,054	31,008	1,872	686	1,192	562	1,332	10,274	72,980
Total liabilities	550,683	84,910	37,752	17,656	16,643	19,157	28,496	52,341	807,638

	31.12.21								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Deposits by banks	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

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 base case projected NII is based on the current market-implied path of rates and forward rate expectations. The NII sensitivities below stress this base case by a further 50 or 100bps. Actual observed interest rate changes will lag behind market expectation. Accordingly, the shocked NII sensitivity does not represent a forecast of the Group's net interest income.

The interest rate sensitivities are indicative stress tests and based on simplified scenarios, estimating the aggregate impact of an unanticipated, instantaneous parallel shock across all yield curves over a one-year horizon, including the time taken to implement changes to pricing before becoming effective. The assessment assumes that the size and mix of the balance sheet remain constant and that there are no specific management actions in response to the change in rates. No assumptions are made in relation to the impact on credit spreads in a changing rate environment.

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

	30.06.22						
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	40	40	70	40	10	190	390
- 50 basis points	(40)	(40)	(70)	(30)	(10)	(190)	(380)
+ 100 basis points	80	80	140	70	20	360	750

	31.12.21						
Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:	USD bloc $million	HKD 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

As at 30 June 2022, 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 $390 million. The equivalent impact from a parallel decrease of 50 basis points would result in a reduction in projected NII of $380 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 $750 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 decreased versus 31 December 2021. The change in NII sensitivity reflects updates to the Group's base case scenario to factor in higher interest rates as at 30 June 2022. In addition, NII sensitivities have reduced due to the migration of the HKD mortgage book from HIBOR to Prime rate, and the dampening effect of USD hedging strategies intended to provide short term income certainty and smooth longer term NII volatility.

Operational and Technology Risk

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

Operational and Technology Risk profile

Risk management practices help the business grow safely and ensures governance and management of Operational and Technology Risk through the delivery and embedding of effective frameworks and policies, together with continuous oversight and assurance.

The Group continues to ensure the operational and technology risk framework supports the business and functions in effectively managing risk and controls within risk appetite to meet their strategic objectives.

Overall, the Group's risk profile has remained stable with the quality of risk understanding and identification improving. Operational and Technology Risks remain heightened in areas such as Fraud, Data Management, and Information and Cyber Security. Other focus risk areas are Third Party Risk, Technology risk, People Risk and Change Management. We continue to enhance our operational resilience and defences against these risks, as well as continue to monitor impacts of the ongoing pandemic, through vigorous improvement programmes.

Digitalisation and wider technological improvements remain a key focus for the Group, to keep pace with new business developments whilst ensuring control frameworks and Risk Appetite evolve accordingly.

Other principal risks

Losses arising from operational failures for other principal risks are reported as operational losses. Operational losses do not include Operational Risk-related credit impairments.

Capital review

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

Capital summary

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

	30.06.22	31.12.21
CET1 capital	13.9%	14.1%
Tier 1 capital	15.9%	16.6%
Total capital	21.0%	21.3%
Leverage ratio	4.5%	4.9%
MREL ratio	31.0%	31.7%
Risk-weighted assets (RWA) $million	255,082	271,233

- The Group's CET1 capital and Tier 1 leverage position are above current requirements. For further detail see the Capital section in the Standard Chartered PLC Pillar 3 Disclosures for HY 2022
- The Group's CET1 ratio decreased 28 basis points to 13.9 per cent as profits for the period and lower RWA driven largely by optimisation initiatives, were more than offset by regulatory changes, foreign exchange movements, FVOCI reserve movements, and distributions (including completion of the FY 21 share buy-back)
- The PRA sets the Group's current Pillar 2A requirement as a nominal value instead of a percentage of RWA. At the half year this equated to 3.6 per cent of RWA, of which at least 2.0 per cent must be held in CET1. As the Pillar 2A requirement is a nominal value, the decrease in RWA in the period caused the CET1 requirement expressed in ratio terms to increase by 12 basis points. As a result, the Group's minimum CET1 requirement including the combined buffer (comprising the capital conservation buffer, the GSII buffer and the countercyclical buffer) was 10.2 per cent at 30 June 2022
- The Group's minimum requirement for own funds and eligible liabilities (MREL) is set as the higher of an RWA or leverage requirement. The Group's MREL requirement including buffers was 7.8 per cent of leverage exposure at 30 June 2022, equivalent to 27.4 per cent of RWA. The Group's MREL position was 8.9 per cent of leverage exposure and 31.0 per cent of RWA at 30 June 2022
- In the first half of the year the Group made good progress on its MREL issuance plan, successfully raising around $4 billion of MREL eligible debt from its holding company. Issuance was across the capital structure including, $0.8 billion of Tier 2 and around $3.2 billion of callable senior debt
- The Group CET1 ratio at 30 June includes the share buy-back of $754 million completed in the first half of 2022 and an accrual for a 2022 interim dividend. The Board has recommended an interim dividend for HY 2022 of $119 million or 4 cents per share representing a third of the total 2021 dividend in line with the prior year
- In addition, the Board has announced a further share buy-back of $500 million, which will impact the Group's CET1 position in the third quarter of 2022 by around 20bps
- The Group is a G-SII, with a 1.0 per cent G-SII CET1 buffer. The Standard Chartered PLC G-SII disclosure is published at: sc.com/en/investors/financial-results

CRD Capital base[1] (reviewed)

	30.06.22 $million	31.12.21 $million
CET1 instruments and reserves		
Capital instruments and the related share premium accounts	**5,472**	5,528
Of which: share premium accounts	**3,989**	3,989
Retained earnings[2]	**26,266**	24,968
Accumulated other comprehensive income (and other reserves)	**8,837**	11,805
Non-controlling interests (amount allowed in consolidated CET1)	**188**	201
Independently reviewed interim and year-end profits	**2,092**	2,346
Foreseeable dividends	**(303)**	(493)
CET1 capital before regulatory adjustments	**42,552**	44,355
CET1 regulatory adjustments		
Additional value adjustments (prudential valuation adjustments)	**(766)**	(665)
Intangible assets (net of related tax liability)	**(5,468)**	(4,392)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	**(120)**	(150)
Fair value reserves related to net losses on cash flow hedges	**475**	34
Deduction of amounts resulting from the calculation of excess expected loss	**(702)**	(580)
Net gains on liabilities at fair value resulting from changes in own credit risk	**(100)**	15
Defined-benefit pension fund assets	**(184)**	(159)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	**(165)**	(60)
Exposure amounts which could qualify for risk weighting of 1,250%	**(138)**	(36)
Other regulatory adjustments to CET1 capital[3]	**(11)**	–
Total regulatory adjustments to CET1	**(7,179)**	(5,993)
CET1 capital	**35,373**	38,362
Additional Tier 1 capital (AT1) instruments	**5,264**	6,811
AT1 regulatory adjustments	**(20)**	(20)
Tier 1 capital	**40,617**	45,153
Tier 2 capital instruments	**13,050**	12,521
Tier 2 regulatory adjustments	**(30)**	(30)
Tier 2 capital	**13,020**	12,491
Total capital	**53,637**	57,644
Total risk-weighted assets (unreviewed)	**255,082**	271,233

1 CRD capital is prepared on the regulatory scope of consolidation

2 Retained earnings includes IFRS 9 capital relief (transitional) of $164 million, including dynamic relief of $58 million

3 Other regulatory adjustments to CET1 capital includes Insufficient coverage for non-performing exposures of -$11 million

Movement in total capital (reviewed)

	6 months ended 30.06.22 $million	6 months ended 31.12.21 $million
CET1 at 1 January/1 July	**38,362**	39,589
Ordinary shares issued in the period and share premium	**–**	–
Share buy-back	**(754)**	(251)
Profit for the period	**2,092**	422
Foreseeable dividends net of scrip deducted from CET1	**(303)**	(493)
Difference between dividends paid and foreseeable dividends	**3**	9
Movement in goodwill and other intangible assets	**(1,076)**	(320)
Foreign currency translation differences	**(1,394)**	(350)
Non-controlling interests	**(13)**	10
Movement in eligible other comprehensive income	**(1,020)**	(281)
Deferred tax assets that rely on future profitability	**30**	(41)
Decrease/(increase) in excess expected loss	**(122)**	284
Additional value adjustments (prudential valuation adjustment)	**(101)**	(33)
IFRS 9 transitional impact on regulatory reserves including day one	**(88)**	(17)
Exposure amounts which could qualify for risk weighting	**(102)**	4
Fair value gains arising from the institution's own Credit Risk related to derivative liabilities	**(105)**	(14)
Other	**(36)**	(156)
CET1 at 30 June/31 December	**35,373**	38,362
AT1 at 1 January/1 July	**6,791**	6,293
Net issuances (redemptions)	**(990)**	497
Foreign currency translation difference	**–**	(5)
Excess on AT1 grandfathered limit (ineligible)	**(557)**	6
AT1 at 30 June/31 December	**5,244**	6,791
Tier 2 capital at 1 January/1 July	**12,491**	13,279
Regulatory amortisation	**546**	(512)
Net issuances (redemptions)	**(298)**	(72)
Foreign currency translation difference	**(307)**	(120)
Tier 2 ineligible minority interest	**27**	(83)
Recognition of ineligible AT1	**557**	(6)
Other	**4**	5
Tier 2 capital at 30 June/31 December	**13,020**	12,491
Total capital at 30 June/31 December	**53,637**	57,644

- The main movements in capital in the period were:
- CET1 decreased by $3.0 billion as retained profits of $2.0 billion were more than offset by removal of the software benefit of $1.0 billion, the completion of the FY 21 share buy-back of $0.8 billion, foreseeable dividends of $0.3 billion, foreign exchange translation losses of $1.4 billion, FVOCI movements (on higher yields and wider credit spreads) of $1.3 billion and an increase in other regulatory deductions of $0.3 billion
- Additional Tier 1 capital decreased by $1.5 billion following the redemption of $1.0 billion of 7.5 per cent securities, and the final $0.5 billion derecognition of legacy Tier 1 securities
- Tier 2 capital increased by $0.5 billion as issuance of $0.8 billion new Tier 2 instruments and the recognition of ineligible Additional Tier 1 as Tier 2 were partly offset by regulatory amortisation and the redemption of $1.0 billion of Tier 2 securities during the period

Risk-weighted assets by business

	30.06.22			
	Credit risk $million	Operational risk $million	Market risk $million	Total risk $million
Corporate, Commercial & Institutional Banking	117,789	17,038	19,350	154,177
Consumer, Private & Business Banking	43,879	8,639	–	52,518
Ventures	1,034	6	3	1,043
Central & Other items	42,477	1,494	3,373	47,344
Total risk-weighted assets	205,179	27,177	22,726	255,082

	31.12.21[1]			
	Credit risk $million	Operational risk $million	Market risk $million	Total risk $million
Corporate, Commercial & Institutional Banking[2]	125,813	16,595	20,789	163,197
Consumer, Private & Business Banking[2]	42,731	8,501	–	51,232
Ventures	756	5	–	761
Central & Other items	50,288	2,015	3,740	56,043
Total risk-weighted assets	219,588	27,116	24,529	271,233

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

2 Following Group's change in organisational structure in 2021, certain clients have been moved between the two new client segments, Corporate, Commercial & Institutional Banking and Consumer, Private & Business Banking. Prior period has been restated

Risk-weighted assets by geographic region

	30.06.22 $million	31.12.21 $million
Asia	160,345	170,381
Africa & Middle East	43,613	48,852
Europe & Americas	50,038	50,283
Central & Other items	1,086	1,717
Total risk-weighted assets	255,082	271,233

Movement in risk-weighted assets

	Credit Risk							
	Commercial, Corporate & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures[1] $million	Central & Other items $million	Total $million	Operational Risk $million	Market Risk $million	Total Risk $million
At 31 December 2020	127,663	44,755		48,023	220,441	26,800	21,593	268,834
At 1 January 2021	127,581	44,755	289	47,816	220,441	26,800	21,593	268,834
Assets growth & mix	5,445	3,827	224	384	9,880	–	–	9,880
Asset quality	1,956	(292)	–	(382)	1,282	–	–	1,282
Risk-weighted assets efficiencies	–	–	–	(657)	(657)	–	–	(657)
Model updates	–	(27)	–	–	(27)	–	–	(27)
Methodology and policy changes	–	–	–	–	–	–	–	–
Acquisitions and disposals	–	–	–	–	–	–	–	–
Foreign currency translation	(873)	(603)	–	(412)	(1,888)	–	–	(1,888)
Other, including non-credit risk movements	–	–	–	317	317	316	2,170	2,803
At 30 June 2021	134,109	47,660	513	47,066	229,348	27,116	23,763	280,227
Assets growth & mix	(3,175)	(216)	243	3,510	362	–	–	362
Asset quality	(3,493)	(370)	–	395	(3,468)	–	–	(3,468)
Risk-weighted assets efficiencies	(415)	(30)	–	–	(445)	–	–	(445)
Model updates	–	(3,674)	–	–	(3,674)	–	–	(3,674)
Methodology and policy changes	–	–	–	–	–	–	2,065	2,065
Acquisitions and disposals	–	–	–	–	–	–	–	–
Foreign currency translation	(1,213)	(639)	–	(694)	(2,546)	–	–	(2,546)
Other, including non-credit risk movements	–	–	–	11	11	–	(1,299)	(1,288)
At 31 December 2021	**125,813**	**42,731**	**756**	**50,288**	**219,588**	**27,116**	**24,529**	**271,233**
Assets growth & mix	**(2,392)**	**58**	**278**	**(4,289)**	**(6,345)**	**–**	**–**	**(6,345)**
Asset quality	**(5,648)**	**(32)**	**–**	**(163)**	**(5,843)**	**–**	**–**	**(5,843)**
Risk-weighted assets efficiencies	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Model updates	**2,073**	**2,628**	**–**	**–**	**4,701**	**–**	**(1,000)**	**3,701**
Methodology and policy changes	**2,024**	**85**	**–**	**38**	**2,147**	**–**	**1,100**	**3,247**
Acquisitions and disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Foreign currency translation	**(4,081)**	**(1,591)**	**–**	**(2,392)**	**(8,064)**	**–**	**–**	**(8,064)**
Other, including non-credit risk movements	**–**	**–**	**–**	**(1,005)**	**(1,005)**	**61**	**(1,903)**	**(2,847)**
At 30 June 2022	**117,789**	**43,879**	**1,034**	**42,477**	**205,179**	**27,177**	**22,726**	**255,082**

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

Movements in risk-weighted assets

RWA decreased by $16.2 billion, or 6.0 per cent from 31 December 2021 to $255.1 billion. This was mainly due to decreases in Credit Risk RWA of $14.4 billion and Market Risk RWA of $1.8 billion offset by marginal increase in Operational Risk RWA of $0.1 billion

Corporate, Commercial & Institutional Banking

Credit Risk RWA decreased by $8.0 billion to $117.8 billion mainly due to:

- $6.9 billion decrease from optimisation actions including reduction in lower returning portfolios
- $6.2 billion decrease from other business efficiency actions
- $5.6 billion decrease mainly due to improvement in asset quality reflecting client upgrades
- $4.1 billion decrease from foreign currency translation
- $10.7 billion increase from asset balance growth
- $2.1 billion increase from industry-wide regulatory changes to align IRB model performance
- $2.0 billion increase from revised rules on capital requirements

Consumer, Private & Business Banking

Credit Risk RWA increased by $1.1 billion to $43.9 billion mainly due to:

- $2.6 billion increase from industry-wide regulatory changes to align IRB model performance
- $1.5 billion decrease from foreign currency translation

Ventures

Ventures comprised of Mox Bank Limited, Trust Bank and SC Ventures. Credit Risk RWA increased by $0.2 billion to $1 billion from asset balance growth.

Central & Other items

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

Credit Risk RWA decreased by $7.8 billion to $42.5 billion mainly due to:

- $2.9 billion decrease in asset balance
- $2.4 billion decrease from foreign currency translation
- $1.3 billion decrease from credit protection on certain products
- $1.0 billion decrease due to cessation of software relief

Market risk

Market Risk RWA decreased by $1.8 billion, or 7 per cent from 31 December 2021 to $22.7 billion mainly due to:

- $1.7 billion decrease in Standardised Approach (SA) Specific Interest Rate Risk RWA due to reduced positions
- $1.0 billion decrease with enhanced Internal Models Approach (IMA) VaR and stressed VaR methodology
- $0.4 billion decrease in SA Structural FX risk with increased SFX hedging
- $1.1 billion increase due to higher IMA RWA multiplier from back-testing exceptions
- $0.2 billion increase of other individually smaller movements

Operational risk

Operational risk RWA increased by $0.1 billion mainly due to marginal increase in average income as measured over a rolling three-year time horizon for certain products.

Leverage ratio

The Group's leverage ratio, which excludes qualifying claims on central banks, was 4.5 per cent, which is above the current minimum requirement of 3.7 per cent. The leverage ratio decreased by approximately 35 basis points in the period following a $4.0 billion decrease in Tier 1 capital due to a decrease in CET1 by $3.0 billion and the redemption of $1 billion of Additional Tier1. This was partially offset by a reduction in leverage exposures by $17 billion primarily due to derivatives and central bank netting.

Leverage ratio

	30.06.22 $million	31.12.21 $million
Tier 1 capital (transitional)	40,617	45,153
Additional Tier 1 capital subject to phase out	–	(557)
Tier 1 capital (end point)	40,617	44,596
Derivative financial instruments	76,676	52,445
Derivative cash collateral	11,459	9,217
Securities financing transactions (SFTs)	83,087	88,418
Loans and advances and other assets	664,695	677,738
Total on-balance sheet assets	835,917	827,818
Regulatory consolidation adjustments[1]	(70,350)	(63,704)
Derivatives adjustments		
Derivatives netting	(56,040)	(34,819)
Adjustments to cash collateral	(9,831)	(17,867)
Net written credit protection	128	1,534
Potential future exposure on derivatives	41,103	50,857
Total derivatives adjustments	(24,640)	(295)
Counterparty risk leverage exposure measure for SFTs	13,318	13,724
Off-balance sheet items	146,745	139,505
Regulatory deductions from Tier 1 capital	(6,856)	(5,908)
Total exposure measure excluding claims on central banks	894,134	911,140
Leverage ratio excluding claims on central banks (%)	4.5%	4.9%
Average leverage exposure measure excluding claims on central banks	918,391	897,992
Average leverage ratio excluding claims on central banks (%)	4.4%	5.0%
Countercyclical leverage ratio buffer	0.1%	0.1%
G-SII additional leverage ratio buffer	0.4%	0.4%

1 Includes adjustment for qualifying central bank claims $70.9 billion and unsettled regular way trades $1.5 billion

Statement of directors' responsibilities

We confirm that to the best of our knowledge:

- The condensed consolidated interim financial statements have been prepared in accordance with UK-adopted IAS 34 Interim Financial Reporting.
- The interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the six months ended 30 June 2022 and their impact on the condensed consolidated interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place during the six months ended 30 June 2022 that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could have materially affected the financial position or performance of the entity during that period

By order of the Board

Andy Halford
Group Chief Financial Officer

29 July 2022

Independent review report to Standard Chartered PLC

Conclusion

We have been engaged by Standard Chartered PLC (the 'Company' or the 'Group') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim balance sheet, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim cash flow statement, the related notes 1 to 31 and the risk and capital disclosures marked as 'reviewed' from page 48 to 111 (together 'the condensed consolidated interim financial statements'). We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements in the half-yearly financial report for the six months ended 30 June 2022 are not prepared, in all material respects, in accordance with United Kingdom (UK) adopted International Accounting Standard 34, 'Interim Financial Reporting' (IAS 34), IAS 34 as adopted by the European Union (EU) and the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority (FCA).

Basis for Conclusion

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards and International Financial Reporting Standards as adopted by the EU. The condensed consolidated interim financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted IAS 34 and IAS 34 as adopted by the EU.

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE 2410 (UK) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the UK's FCA.

In preparing the half-yearly financial report, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

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

Use of our report

This report is made solely to the company in accordance with guidance contained in ISRE 2410 (UK) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP

Ernst & Young LLP
London

29 July 2022

Condensed consolidated interim income statement
For the six months ended 30 June 2022

	Notes	6 months ended 30.06.22 $million	6 months ended 30.06.21 $million
Interest income		5,785	5,122
Interest expense		(2,147)	(1,752)
Net interest income	3	3,638	3,370
Fees and commission income		2,023	2,300
Fees and commission expense		(359)	(361)
Net fee and commission income	4	1,664	1,939
Net trading income	5	2,679	1,870
Other operating income	6	244	449
Operating income		8,225	7,628
Staff costs		(3,853)	(3,786)
Premises costs		(197)	(184)
General administrative expenses		(686)	(655)
Depreciation and amortisation		(592)	(596)
Operating expenses	7	(5,328)	(5,221)
Operating profit before impairment losses and taxation		2,897	2,407
Credit impairment	8	(263)	51
Goodwill, property, plant and equipment and other impairment	9	(15)	(40)
Profit from associates and joint ventures		153	141
Profit before taxation		2,772	2,559
Taxation	10	(684)	(631)
Profit for the period		2,088	1,928
Profit attributable to:			
Non-controlling interests		(1)	14
Parent company shareholders		2,089	1,914
Profit for the period		2,088	1,928
		cents	cents
Earnings per share:			
Basic earnings per ordinary share	12	62.1	54.8
Diluted earnings per ordinary share	12	61.0	53.9

The notes on pages 120 to 169 form an integral part of these financial statements.

Condensed consolidated interim statement of comprehensive income

For the six months ended 30 June 2022

	Notes	6 months ended 30.06.22 $million	6 months ended 30.06.21 $million
Profit for the year		**2,088**	1,928
Other comprehensive (loss)/income			
Items that will not be reclassified to income statement:		**135**	244
Own credit gains/(losses) on financial liabilities designated at fair value through profit or loss		**138**	(2)
Equity instruments at fair value through other comprehensive income		**(70)**	184
Actuarial gains on retirement benefit obligations	26	**84**	107
Taxation relating to components of other comprehensive income		**(17)**	(45)
Items that may be reclassified subsequently to income statement:		**(3,106)**	(565)
Exchange differences on translation of foreign operations:			
Net losses taken to equity		**(1,885)**	(367)
Net gains on net investment hedges		**482**	64
Share of other comprehensive (loss)/income from associates and joint ventures		**(82)**	5
Debt instruments at fair value through other comprehensive income:			
Net valuation losses taken to equity		**(1,279)**	(186)
Reclassified to income statement		**(12)**	(153)
Net impact of expected credit losses		**(9)**	4
Cash flow hedges:			
Net (losses)/gains taken to equity		**(529)**	10
Reclassified to income statement		**4**	7
Taxation relating to components of other comprehensive income		**204**	51
Other comprehensive loss for the year, net of taxation		**(2,971)**	(321)
Total comprehensive (loss)/income for the period		**(883)**	1,607
Total comprehensive income attributable to:			
Non-controlling interests		**(32)**	16
Parent company shareholders		**(851)**	1,591
Total comprehensive (loss)/income for the period		**(883)**	1,607

Condensed consolidated interim balance sheet

As at 30 June 2022

	Notes	30.06.22 $million	31.12.21 $million
Assets			
Cash and balances at central banks		**67,005**	72,663
Financial assets held at fair value through profit or loss	13	**118,141**	129,121
Derivative financial instruments	13, 14	**76,676**	52,445
Loans and advances to banks	13	**36,201**	44,383
Loans and advances to customers	13	**293,508**	298,468
Investment securities	13	**164,892**	163,437
Other assets	18	**62,111**	49,932
Current tax assets		**586**	766
Prepayments and accrued income		**2,354**	2,176
Interests in associates and joint ventures	19	**2,105**	2,147
Goodwill and intangible assets	16	**5,537**	5,471
Property, plant and equipment	17	**5,671**	5,616
Deferred tax assets	10	**909**	859
Assets classified as held for sale	20	**221**	334
Total assets		**835,917**	827,818
Liabilities			
Deposits by banks	13	**31,173**	30,041
Customer accounts	13	**453,742**	474,570
Repurchase agreements and other similar secured borrowing	13, 15	**1,723**	3,260
Financial liabilities held at fair value through profit or loss	13	**82,983**	85,197
Derivative financial instruments	13, 14	**76,097**	53,399
Debt securities in issue	13	**58,043**	61,293
Other liabilities	21	**61,515**	44,314
Current tax liabilities		**506**	348
Accruals and deferred income		**4,168**	4,651
Subordinated liabilities and other borrowed funds	13, 24	**14,933**	16,646
Deferred tax liabilities	10	**797**	800
Provisions for liabilities and charges		**404**	453
Retirement benefit obligations	26	**141**	210
Total liabilities		**786,225**	775,182
Equity			
Share capital and share premium account	25	**6,966**	7,022
Other reserves		**8,837**	11,805
Retained earnings		**28,251**	27,184
Total parent company shareholders' equity		**44,054**	46,011
Other equity instruments	25	**5,264**	6,254
Total equity excluding non-controlling interests		**49,318**	52,265
Non-controlling interests		**374**	371
Total equity		**49,692**	52,636
Total equity and liabilities		**835,917**	827,818

The notes on pages 120 to 169 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 29 July 2022 and signed on its behalf by:

Andy Halford
Group Chief Financial Officer

Condensed consolidated interim statement of changes in equity

For the six months ended 30 June 2022

	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 2021	5,564	1,494	17,207	(52)	529	148	(52)	(5,092)	26,140	45,886	4,518	325	50,729
Profit for the period	–	–	–	–	–	–	–	–	1,914	1,914	–	14	1,928
Other comprehensive (loss)/income	–	–	–	(1)	(282)	142	14	(302)	106[2]	(323)	–	2	(321)
Distributions	–	–	–	–	–	–	–	–	–	–	–	(12)	(12)
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	–	–	1,239	–	1,239
Treasury shares net movement	–	–	–	–	–	–	–	–	(80)	(80)	–	–	(80)
Share option expenses	–	–	–	–	–	–	–	–	88	88	–	–	88
Dividends on ordinary shares	–	–	–	–	–	–	–	–	(282)	(282)	–	–	(282)
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	–	(196)	(196)	–	–	(196)
Share buy-back[3]	(19)	–	19	–	–	–	–	–	(255)	(255)	–	–	(255)
Other movements	3	–	–	–	–	–	–	–	(3)	–	–	19[4]	19
As at 30 June 2021	5,548	1,494	17,226	(53)	247	290	(38)	(5,394)	27,432	46,752	5,757	348	52,857
Profit/(loss) for the period	–	–	–	–	–	–	–	–	401	401	–	(16)	385
Other comprehensive income/(loss)	–	–	–	38	(144)	(41)	4	(360)	69[2]	(434)	–	(17)	(451)
Distributions	–	–	–	–	–	–	–	–	–	–	–	(19)	(19)
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	–	–	1,489	–	1,489
Redemption of other equity instruments	–	–	–	–	–	–	–	–	(51)	(51)	(992)	–	(1,043)
Treasury shares net movement	–	–	–	–	–	–	–	–	(155)	(155)	–	–	(155)
Share option expenses	–	–	–	–	–	–	–	–	59	59	–	–	59
Dividends on ordinary shares	–	–	–	–	–	–	–	–	(92)	(92)	–	–	(92)
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	–	(214)	(214)	–	–	(214)
Share buy-back[5]	(20)	–	20	–	–	–	–	–	(251)	(251)	–	–	(251)
Other movements	–	–	–	–	–	–	–	10	(14)[6]	(4)	–	75[7]	71
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**
Profit/(loss) for the period	–	–	–	–	–	–	–	–	**2,089**	**2,089**	–	**(1)**	**2,088**
Other comprehensive income/(loss)	–	–	–	**115**	**(1,261)**	**(43)**	**(441)**	**(1,382)**	**72[2]**	**(2,940)**	–	**(31)**	**(2,971)**
Distributions	–	–	–	–	–	–	–	–	–	–	–	**(26)**	**(26)**
Redemption of other equity instruments	–	–	–	–	–	–	–	–	–	–	**(990)**	–	**(990)**
Treasury shares net movement	–	–	–	–	–	–	–	–	**11**	**11**	–	–	**11**
Share option expenses	–	–	–	–	–	–	–	–	**104**	**104**	–	–	**104**
Dividends on ordinary shares	–	–	–	–	–	–	–	–	**(274)**	**(274)**	–	–	**(274)**
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	–	**(216)**	**(216)**	–	–	**(216)**
Share buy-back[8]	**(56)**	–	**56**	–	–	–	–	–	**(754)**	**(754)**	–	–	**(754)**
Other movements	–	–	–	–	–	–	–	**(12)**	**35[9]**	**23**	–	**61[10]**	**84**
As at 30 June 2022	**5,472**	**1,494**	**17,302**	**100**	**(1,158)**	**206**	**(475)**	**(7,138)**	**28,251**	**44,054**	**5,264**	**374**	**49,692**

1 Includes capital reserve of $5 million, capital redemption reserve of $186 million and merger reserve of $17,111 million

2 Comprises actuarial gain, net of taxation on Group defined benefit scheme

3 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). 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

4 Movement related to non-controlling interest from Mox Bank Limited

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 related to Translation adjustment and AT1 securities charges

7 Movements related to non-controlling interest from Mox Bank Limited ($2 million), Trust Bank Singapore Limited ($70 million) and Zodia Markets Holdings Limited ($3 million)

8 On 18 February 2022, 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 $56 million, and the total consideration paid was $754 million (including $4 million of fees and stamp duty), the buy-back completed on 19 May 2022. The total number of shares purchased was 111,295,408, representing 3.61 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

9 Movements related to $21 million NCI on Power2SME Pte Limited and $12 million translation adjustment

10 Movements related to non-controlling interest from Mox Bank Limited ($29 million), Trust Bank Singapore Limited ($23 million) and Power2SME Pte Limited ($9 million)

Note 25 includes a description of each reserve.

The notes on pages 120 to 169 form an integral part of these financial statements.

Condensed consolidated interim cash flow statement

For the six months ended 30 June 2022

	Notes	6 months ended 30.06.22 $million	6 months ended 30.06.21 $million
Cash flows from operating activities:			
Profit before taxation		**2,772**	2,559
Adjustments for non-cash items and other adjustments included within income statement	31	**700**	593
Change in operating assets	31	**(24,285)**	(7,031)
Change in operating liabilities	31	**26,042**	5,403
Contributions to defined benefit schemes		**(15)**	(20)
UK and overseas taxes paid		**(252)**	(534)
Net cash from/(used in) operating activities		**4,962**	970
Cash flows from investing activities:			
Internally generated capitalised software	16	**(486)**	(416)
Purchase of property, plant and equipment	17	**(553)**	(185)
Disposal of property, plant and equipment	17	**139**	355
Disposal of held for sale property, plant and equipment	20	**79**	140
Acquisition of investment in subsidiaries, associates, and joint ventures, net of cash acquired	19	**(4)**	(4)
Dividends received from associates and joint ventures	19	**58**	38
Purchase of investment securities		**(145,272)**	(157,290)
Disposal and maturity of investment securities		**135,373**	159,859
Net cash (used in)/from investing activities		**(10,666)**	2,497
Cash flows from financing activities:			
Exercise of share options		**11**	5
Purchase of own shares		**–**	(85)
Cancellation of shares including share buy-back		**(754)**	(255)
Premises and equipment lease liability principal payment		**(164)**	(253)
Issue of Additional Tier 1 capital, net of expenses	25	**–**	1,239
Redemption of Tier 1 capital	25	**(990)**	–
Gross proceeds from issue of subordinated liabilities	31	**750**	1,186
Interest paid on subordinated liabilities	31	**(310)**	(293)
Repayment of subordinated liabilities	31	**(1,048)**	(530)
Proceeds from issue of senior debts	31	**6,511**	8,276
Repayment of senior debts	31	**(3,618)**	(4,865)
Interest paid on senior debts	31	**(487)**	(366)
Net cash inflow due to non-controlling interest		**82**	19
Dividends paid to non-controlling interests, preference shareholders and AT1 securities		**(242)**	(208)
Dividends paid to ordinary shareholders		**(274)**	(282)
Net cash (used in)/from financing activities		**(533)**	3,588
Net (decrease)/increase in cash and cash equivalents		**(6,237)**	7,055
Cash and cash equivalents at beginning of the period		**99,605**	97,874
Effect of exchange rate movements on cash and cash equivalents		**(2,553)**	(769)
Cash and cash equivalents at end of the period[1]		**90,815**	104,160

1 Comprises cash and balances at central banks $67,005 million (30 June 2021: $72,985 million), treasury bills and other eligible bills $12,826 million (30 June 2021: $11,085 million), loans and advances to banks $21,195 million (30 June 2021: $27,600 million), trading securities $1,062 million (30 June 2021: $2,265 million) less restricted balances $11,273 million (30 June 2021: $9,775 million)

Interest received was $6,043 million (30 June 2021: $5,343 million), interest paid was $1,878 million (30 June 2021: $1,762 million).

Contents – Notes to the financial statements

Notes to the financial statements

1. Accounting policies

Statement of compliance

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

These interim financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority (FCA), with UK-adopted IAS 34 Interim Financial Reporting and with IAS 34 Interim Financial Reporting as adopted by the EU. They should be read in conjunction the 2021 Annual Report, which was prepared in accordance with UK-adopted international accounting standards and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU IFRS).

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

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

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

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of cash-settled share-based payments, assets held for sale, fair value through other comprehensive income, and financial assets and liabilities (including derivatives) at fair value through profit or loss. The consolidated financial statements are presented in United States dollars ($), and all values are rounded to the nearest million dollars, except when otherwise indicated. The considerations of the impact of climate risk on the Groups financial report are the same as those applied to the consolidated financial statements as at, and for the year ended 31 December 2021.

Significant accounting estimates and judgements

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. The significant judgements made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those applied to the consolidated financial statements as at, and for the year ended 31 December 2021 , except for revenue recognition within Net fees and commissions for bancassurance contracts as detailed below. Summaries of the Group's significant accounting policies are included throughout the 2021 Annual Report.

- Note 4 Net fees and commission

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
- Risk review: Tables marked as 'reviewed' disaggregating Credit Risk information by client segment have been restated following the Group's change in organisational structure that came into effect on 1 January 2022
- Risk review: Credit quality by industry

New accounting standards in issue but not yet effective

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued in May 2017 to replace IFRS 4 Insurance Contracts and to establish a comprehensive standard for inceptors of insurance policies. The effective date has been deferred to 1 January 2023. The Group is assessing the likely implementation impact on adopting the standards on its financial statements.

1. Accounting policies continued

Going concern

These interim financial statements were approved by the Board of Directors on 29 July 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 annual budget
- Consideration of stress testing performed, including both the Bank of England annual stress test and a Group Recovery and Resolution Plan (RRP) as submitted to the PRA. Both these submissions include the application of stressed scenarios including; COVID additional waves with the accompanying economic shocks, credit impact and short-term liquidity shocks. Under the tests and through the range of scenarios, the results of these stress tests and the RRP demonstrate that the Group has sufficient capital and liquidity to continue as a going concern and meet minimum regulatory capital and liquidity requirements
- Analysis of the capital, funding and liquidity position of the Group, including the capital and leverage ratios, and ICAAP which summarises the Group's capital and risk assessment processes, assesses its capital requirements and the adequacy of resources to meet them. Further, funding and liquidity was considered in the context of the risk appetite metrics, including the ADR and LCR ratios
- The Group's Internal Liquidity Adequacy Assessment Process (ILAAP), which considers the Group's liquidity position, its framework and whether sufficient liquidity resources are being maintained to meet liabilities as they fall due, was also reviewed
- The level of debt in issue, including redemptions and issuances during the year, debt falling due for repayment in the next 12 months and further planned debt issuances, including the appetite in the market for the Group's debt
- A detailed review of all principal and emerging risks

Based on the analysis performed, the directors confirm they are satisfied that the Group has adequate resources to continue in business for the period from 29 July 2022 to 29 July 2023. For this reason, the Group continues to adopt the going concern basis of accounting for preparing the financial statements.

2. Segmental information

Basis of preparation

The analysis reflects how the client segments and geographic regions are managed internally. This is described as the Management View (on an underlying basis) and is principally the location from which a client relationship is managed, which may differ from where it is financially booked and may be shared between businesses and/or regions. In certain instances this approach is not appropriate and a Financial View is disclosed, that is, the location in which the transaction or balance was booked. Typically, the Financial View is used in areas such as the Market and Liquidity Risk reviews where actual booking location is more important for an assessment. Segmental information is therefore on a Management View unless otherwise stated.

Segments and regions

The Group's segmental reporting is in accordance with IFRS 8 Operating Segments and is reported consistently with the internal performance framework and as presented to the Group's Management Team.

As part of the ongoing execution of its refreshed strategy, the Group has expanded and reorganised its reporting structure with the creation of a third client segment, Ventures, effective on 1st January 2022. Ventures is a consolidation of SC Ventures and its related entities as well as the Group's two majority-owned digital banks Mox in Hong Kong and Trust in Singapore.

- SC Ventures is the platform and catalyst for the Group to promote innovation, invest in disruptive financial technology and explore alternative business models and was previously reported in Central & other items (segment)
- Mox, a cloud-native, mobile only digital bank, was launched in Hong Kong as a joint venture with HKT, PCCW and Trip.com in September 2020
- Trust in Singapore, in partnership with NTUC Enterprise, is the Group's second separately licensed digital bank in Asia, after Mox, with go-live planned for later this year

The changes above require comparative periods to be restated.

2. Segmental information continued

Restructuring items excluded from underlying results

The Group's statutory IFRS performance is adjusted for certain items to arrive at alternative performance measures. These items include 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 consistent performance period by period. The alternative performance measures are not within the scope of IFRS and not a substitute for IFRS measures. These adjustments are set out below.

Restructuring charges of $45 million primarily relate to redundancies partly offset by income from the Principal Finance and Ship Leasing portfolios.

The Group has announced the exit of seven markets in the AME region and will focus solely on the CCIB segment in two more. It is expected that the results from the markets and businesses being exited will be reported in restructuring by the end of 2022

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

Profit before taxation (PBT)

	6 months ended 30.06.22		
	Underlying $million	Restructuring $million	Statutory $million
Operating income	8,200	25	8,225
Operating expenses	(5,267)	(61)	(5,328)
Operating profit/(loss) before impairment losses and taxation	2,933	(36)	2,897
Credit impairment	(267)	4	(263)
Other impairment	(2)	(13)	(15)
Profit from associates and joint ventures	153	–	153
Profit/(loss) before taxation	2,817	(45)	2,772

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

2. Segmental information continued

Underlying performance by client segment

	6 months ended 30.06.22				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items $million	Total $million
Operating income	4,877	2,871	5	447	8,200
External	4,581	2,612	5	1,002	8,200
Inter-segment	296	259	–	(555)	–
Operating expenses	(2,714)	(2,071)	(146)	(336)	(5,267)
Operating profit/(loss) before impairment losses and taxation	2,163	800	(141)	111	2,933
Credit impairment	(196)	(79)	(3)	11	(267)
Other impairment	–	(1)	–	(1)	(2)
Profit/(loss) from associates and joint ventures	–	–	(7)	160	153
Underlying profit/(loss) before taxation	1,967	720	(151)	281	2,817
Restructuring	(4)	(21)	(1)	(19)	(45)
Statutory profit/(loss) before taxation	1,963	699	(152)	262	2,772
Total assets	427,483	134,979	1,371	272,084	835,917
Of which: loans and advances to customers[2]	192,439	132,275	342	29,418	354,474
loans and advances to customers	134,154	132,233	342	26,779	293,508
loans held at fair value through profit or loss (FVTPL)	58,285	42	–	2,639	60,966
Total liabilities	500,400	179,637	770	105,418	786,225
Of which: customer accounts[2]	321,517	175,747	689	9,058	507,011

	6 months ended 30.06.21 (Restated)[1]				
	Corporate, Commercial & Institutional Banking[1] $million	Consumer, Private & Business Banking[1] $million	Ventures[1] $million	Central & other items[1] $million	Total $million
Operating income	4,292	2,971	(3)	358	7,618
External	4,087	2,775	(3)	759	7,618
Inter-segment	205	196	–	(401)	–
Operating expenses	(2,582)	(2,025)	(118)	(367)	(5,092)
Operating profit/(loss) before impairment losses and taxation	1,710	946	(121)	(9)	2,526
Credit impairment	136	(93)	–	4	47
Other impairment	(25)	–	–	–	(25)
Profit/(loss) from associates and joint ventures	–	–	(2)	136	134
Underlying profit/(loss) before taxation	1,821	853	(123)	131	2,682
Restructuring	(38)	(22)	–	(63)	(123)
Statutory profit/(loss) before taxation	1,783	831	(123)	68	2,559
Total assets	387,542	137,190	624	270,554	795,910
Of which: loans and advances to customers[2]	197,732	134,281	10	23,153	355,176
loans and advances to customers	141,205	134,182	10	22,606	298,003
loans held at fair value through profit or loss (FVTPL)	56,527	99	–	547	57,173
Total liabilities	452,449	179,249	757	110,598	743,053
Of which: customer accounts[2]	307,619	174,862	695	8,416	491,592

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

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

2. Segmental information continued

Operating income by client segment

	6 months ended 30.06.22				
	Corporate, Commercial & Institutional Banking $million	Consumer Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Underlying operating income	4,877	2,871	5	447	8,200
Restructuring	25	–	–	–	25
Statutory operating income	4,902	2,871	5	447	8,225

	6 months ended 30.06.21 (Restated)[1]				
	Corporate, Commercial & Institutional Banking[1] $million	Consumer Private & Business Banking[1] $million	Ventures $million	Central & other items (segment) $million	Total $million
Underlying operating income	4,292	2,971	(3)	358	7,618
Restructuring	12	–	–	(2)	10
Statutory operating income	4,304	2,971	(3)	356	7,628

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

2. Segmental information continued

Underlying performance by region

	6 months ended 30.06.22				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	5,522	1,291	1,445	(58)	8,200
Operating expenses	(3,417)	(808)	(771)	(271)	(5,267)
Operating profit/(loss) before impairment losses and taxation	2,105	483	674	(329)	2,933
Credit impairment	(398)	99	29	3	(267)
Other impairment	(2)	(1)	1	–	(2)
Profit/(loss) from associates and joint ventures	157	–	–	(4)	153
Underlying profit/(loss) before taxation	1,862	581	704	(330)	2,817
Restructuring	(19)	(7)	(6)	(13)	(45)
Statutory profit/(loss) before taxation	1,843	574	698	(343)	2,772
Total assets	477,485	57,859	291,264	9,309	835,917
Of which: loans and advances to customers[1]	259,484	28,003	66,987	–	354,474
loans and advances to customers	243,169	26,656	23,683	–	293,508
loans held at fair value through profit or loss (FVTPL)	16,315	1,347	43,304	–	60,966
Total liabilities	431,424	42,672	243,877	68,252	786,225
Of which: customer accounts[1]	332,705	33,480	140,826	–	507,011

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

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

2. Segmental information continued

Operating income by region

	6 months ended 30.06.22				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Underlying operating income	5,522	1,291	1,445	(58)	8,200
Restructuring	10	1	(1)	15	25
Statutory operating income	5,532	1,292	1,444	(43)	8,225

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

Additional segmental information (statutory)

	6 months ended 30.06.22				
	Corporate, Commercial & Institutional Banking $million	Consumer Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Net interest income	1,579	1,735	4	320	3,638
Net fees and commission income	788	868	3	5	1,664
Net trading and other income	2,535	268	(2)	122	2,923
Operating income	4,902	2,871	5	447	8,225

	6 months ended 30.06.21 (Restated)[1]				
	Corporate, Commercial & Institutional Banking[1] $million	Consumer Private & Business Banking[1] $million	Ventures[1] $million	Central & other items (segment) $million	Total $million
Net interest income	1,596	1,611	(2)	165	3,370
Net fees and commission income	882	1,078	–	(21)	1,939
Net trading and other income	1,826	282	(1)	212	2,319
Operating income	4,304	2,971	(3)	356	7,628

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

	6 months ended 30.06.22				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Net interest income	2,668	577	357	36	3,638
Net fees and commission income	1,167	271	301	(75)	1,664
Net trading and other income	1,697	444	786	(4)	2,923
Operating income	5,532	1,292	1,444	(43)	8,225

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

2. Segmental information continued

	6 months ended 30.06.22									
	Hong Kong $million	Korea $million	China $million	Taiwan $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Net interest income	819	384	273	92	407	315	43	109	122	189
Net fees and commission income	307	89	75	86	307	135	30	53	42	198
Net trading and other income	620	138	251	58	161	227	38	143	609	145
Operating income	**1,746**	**611**	**599**	**236**	**875**	**677**	**111**	**305**	**773**	**532**

	6 months ended 30.06.21									
	Hong Kong $million	Korea $million	China $million	Taiwan $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Net interest income	702	365	305	88	369	317	45	109	101	89
Net fees and commission income	465	124	111	113	353	128	26	45	28	170
Net trading and other income	696	99	153	57	94	168	38	122	355	130
Operating income	1,863	588	569	258	816	613	109	276	484	389

3. Net interest income

	6 months ended 30.06.22 $million	6 months ended 30.06.21 $million
Balances at central banks	146	42
Loans and advances to banks	326	247
Loans and advances to customers	3,962	3,665[1]
Debt securities	1,080	904
Other eligible bills	206	149
Accrued on impaired assets (discount unwind)	65	115
Interest income	5,785	5,122
Of which: financial instruments held at fair value through other comprehensive income	833	783
Deposits by banks	92	74
Customer accounts	1,438	1,121
Debt securities in issue	347	284
Subordinated liabilities and other borrowed funds	247	246
Interest expense on IFRS 16 lease liabilities	23	27
Interest expense	2,147	1,752
Net interest income	3,638	3,370

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

4. Net fees and commission

Significant accounting estimates and judgements

Included within one of our bancassurance contracts is an annual performance bonus that is only received if an annual performance sales target is met. In applying the accounting policy on revenue recognition, management have made the judgement that it is highly probable that the annual target will be met.

This judgement is based on management's forecast analysis of performance against the bonus targets. This analysis is a significant estimate which includes assumptions based on historical actual performance and projected future sales initiatives expected to increase sales volumes over time.

	6 months ended 30.06.22 $million	6 months ended 30.06.21 $million
Fees and commissions income	2,023	2,300
Of which:		
Financial instruments that are not fair valued through profit or loss	650	660
Trust and other fiduciary activities	284	385
Fees and commissions expense	(359)	(361)
Of which:		
Financial instruments that are not fair valued through profit or loss	(114)	(104)
Trust and other fiduciary activities	(24)	(23)
Net fees and commission	**1,664**	**1,939**

	6 months ended 30.06.22				
	Corporate, Commercial & Institutional Banking $million	Consumer Private & Business Banking $million	Ventures $million	Central & other Items (Segment) $million	Total $million
Transaction Banking	558	16	–	–	574
Trade & Working Capital[2]	299	13	–	–	312
Cash Management	259	3	–	–	262
Financial Markets	178	–	–	–	178
Lending & Portfolio Management[2]	52	3	–	–	55
Wealth Management	–	658	–	–	658
Retail Products	–	191	2	–	193
Treasury	–	–	–	(20)	(20)
Others	–	-	1	25	26
Net fees and commission	**788**	**868**	**3**	**5**	**1,664**

	6 months ended 30.06.21 (Restated)[1]				
	Corporate, Commercial & Institutional Banking $million	Consumer Private & Business Banking[1] $million	Ventures[1] $million	Central & other Items (Segment) $million	Total $million
Transaction Banking	547	20	–	–	567
Trade & Working Capital[2]	298	14	–	–	312
Cash Management	249	6	–	–	255
Financial Markets	268	–	–	–	268
Lending & Portfolio Management[2]	66	1	–	–	67
Wealth Management	1	849	–	–	850
Retail Products	–	208	(1)	–	207
Treasury	–	–	–	(19)	(19)
Others	–	–	1	(2)	(1)
Net fees and commission	882	1,078	–	(21)	1,939

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

2 Following a reorganisation, there has been a reclassification of balances from Lending & Portfolio Management into Trade & Working Capital including prior period numbers. Prior periods have been re-presented and there is no change in the total income

4. Net fees and commission continued

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 $592 million (30 June 2021: $676 million). The income will be earned evenly over the next 7 years (30 June 2021: 8 years). For the six months ended 30 June 2022, $42 million of fee income was released from deferred income (30 June 2021: $42 million).

For the bancassurance contract with the annual performance bonus, based on progress so far and expectation of meeting the performance targets by year-end with a high probability, a pro-rata portion of the total performance fee, equal to $84 million of the fee has been recognised as fee income in the period.

5. Net trading income

	6 months ended 30.06.22 $million	6 months ended 30.06.21 $million
Net trading income	**2,679**	1,870
Significant items within net trading income include:		
Gains on instruments held for trading[1]	**2,480**	1,865
Gains on financial assets mandatorily at fair value through profit or loss	**157**	81
Losses on financial assets designated at fair value through profit or loss	**(6)**	(9)
Gains/(losses) on financial liabilities designated at fair value through profit or loss	**178**	(25)

1 Includes $666 million gain (30 June 2021: $250 million gain) from the translation of foreign currency monetary assets and liabilities

6. Other operating income

	6 months ended 30.06.22 $million	6 months ended 30.06.21 $million
Other operating income includes:		
Rental income from operating lease assets	**203**	229
Gains less losses on disposal of fair value through other comprehensive income debt instruments	**12**	153
Gains less losses on amortised cost financial assets	**2**	8
Dividend income	**6**	7
Gain on sale of aircrafts	**6**	23
Other	**15**	29
Other operating income	**244**	449

7. Operating expenses

	6 months ended 30.06.22 $million	6 months ended 30.06.21 $million
Staff costs:		
Wages and salaries	**2,963**	2,914
Social security costs	**115**	103
Other pension costs (Note 26)	**195**	199
Share-based payment costs	**122**	99
Other staff costs	**458**	471
	3,853	3,786

Other staff costs include redundancy expenses of $24 million (30 June 2021: $43 million). Further costs in this category include training, travel costs and other staff-related costs.

7. Operating expenses continued

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

	Business	Support services	Total
At 30 June 2022	**31,436**	**51,797**	**83,233**
At 31 December 2021[1]	30,940	51,017	81,957

The Company employed nil staff at 30 June 2022 (30 June 2021: nil) and it incurred costs of nil (30 June 2021: nil).

	6 months ended 30.06.22 $million	6 months ended 30.06.21 $million
Premises and equipment expenses:	**197**	184
General administrative expenses:		
Other general administrative expenses	**686**	655
	686	655
Depreciation and amortisation:		
Property, plant and equipment:		
Premises	**161**	188
Equipment	**64**	60
Operating lease assets	**105**	112
	330	360
Intangibles:		
Software	**260**	233
Acquired on business combinations	**2**	3
	592	596
Total operating expenses	**5,328**	5,221

Operating expenses include research expenditure of $408 million (30 June 2021: $376 million), which was recognised as an expense in the period.

8. Credit impairment

	6 months ended 30.06.22 $million	6 months ended 30.06.21 $million
Net credit impairment on loans and advances to banks and customers	**278**	(6)
Net credit impairment on debt securities	**(1)**	6
Net credit impairment relating to financial guarantees and loan commitments	**(14)**	(51)
Credit impairment[1]	**263**	(51)

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

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

	6 months ended 30.06.22 $million	6 months ended 30.06.21 $million
Impairment of goodwill (Note 16)	**–**	–
Impairment of property, plant and equipment (Note 17)	**(1)**	47
Impairment of other intangible assets (Note 16)	**1**	–
Other	**15**	(7)
Property, plant and equipment and other impairment	**15**	40
Goodwill, property, plant and equipment and other impairment	**15**	40

10. Taxation

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

	6 months ended 30.06.22 $million	6 months ended 30.06.21 $million
The charge for taxation based upon the profit for the period comprises:		
Current tax:		
United Kingdom corporation tax at 19 per cent (2021:19 per cent):		
Current tax charge on income for the period	–	–
Adjustments in respect of prior periods (including double tax relief)	–	2
Foreign tax:		
Current tax charge on income for the period	578	497
Adjustments in respect of prior periods	(6)	(34)
	572	465
Deferred tax:		
Origination/reversal of temporary differences	113	167
Adjustments in respect of prior periods	(1)	(1)
	112	166
Tax on profits on ordinary activities	684	631
Effective tax rate	24.7%	24.7%

The tax charge for the period has been calculated by applying the effective rate of tax which is expected to apply for the year ending 31 December 2022 using rates substantively enacted at 30 June 2022. The rate has been calculated by estimating and applying an average annual effective income tax rate to each tax jurisdiction individually.

The tax charge for the period of $684 million (30 June 2021: $631 million) on a profit before tax of $2,772 million (30 June 2021: $2,559 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.

Foreign tax includes current tax of $4 million (30 June 2021: $60 million) on the profits assessable in Hong Kong. Deferred tax includes origination or reversal of temporary differences of $36 million (30 June 2021: $35 million) provided at a rate of 16.5 per cent (30 June 2021: 16.5 per cent) on the profits assessable in Hong Kong.

Deferred tax comprises assets and liabilities as follows:

	30.06.22			31.12.21		
	Total $million	Asset $million	Liability $million	Total $million	Asset $million	Liability $million
Deferred tax comprises:						
Accelerated tax depreciation	(566)	13	(579)	(515)	18	(533)
Impairment provisions on loans and advances	334	350	(16)	351	389	(38)
Tax losses carried forward	274	138	136	263	172	91
Fair value through other comprehensive income	24	49	(25)	(126)	(22)	(104)
Cash flow hedges	84	65	19	–	(3)	3
Own credit adjustment	(26)	(10)	(16)	(3)	(1)	(2)
Retirement benefit obligations	(1)	13	(14)	27	16	11
Share-based payments	30	2	28	32	–	32
Other temporary differences	(41)	289	(330)	30	290	(260)
	112	909	(797)	59	859	(800)

11. Dividends

Ordinary equity shares

	6 months ended 30.06.22		6 months ended 31.12.21		6 months ended 30.06.21	
	Cents per share	$million	Cents per share	$million	Cents per share	$million
2021 / 2020 final dividend declared and paid during the year	9	274	–	–	9	282
2022 / 2021 interim dividend declared and paid during the year	–	–	3	92	–	–

The 2021 final dividend per share of 9 cents per ordinary share ($274 million) was paid to eligible shareholders on 12 May 2022, and is recognised in these interim accounts.

Interim dividends on ordinary equity shares are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders.

2022 recommended interim dividend
The 2022 interim dividend of 4 cents per ordinary share will be paid in pounds sterling, Hong Kong dollars or US dollars on 14 October 2022 to shareholders on the UK register of members at the close of business in the UK on 12 August 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.

		6 months ended 30.06.22 $million	6 months ended 31.12.21 $million	6 months ended 30.06.21 $million
Non-cumulative redeemable preference shares:	7.014 per cent preference shares of $5 each	26	27	26
	6.409 per cent preference shares of $5 each	6	6	7
		32	33	33
Additional Tier 1 securities: fixed rate resetting perpetual subordinated contingent convertible securities		184	181	163
		216	214	196

12. Earnings per ordinary share

	6 months ended 30.06.22 $million	6 months ended 30.06.21 $million
Profit for the period attributable to equity holders	2,088	1,928
Non-controlling interest	1	(14)
Dividend payable on preference shares and AT1 classified as equity	(216)	(196)
Profit for the period attributable to ordinary shareholders	1,873	1,718
Items normalised:		
Restructuring	45	123
Tax on normalised items	(8)	(15)
Underlying profit	1,910	1,826
Basic – Weighted average number of shares (millions)	3,014	3,133
Diluted – Weighted average number of shares (millions)	3,069	3,185
Basic earnings per ordinary share (cents)	62.1	54.8
Diluted earnings per ordinary share (cents)	61.0	53.9
Underlying basic earnings per ordinary share (cents)	63.4	58.3
Underlying diluted earnings per ordinary share (cents)	62.2	57.3

13. Financial instruments

Classification and measurement

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

Assets	Notes	Trading $million	Derivatives held for hedging $million	Non-trading mandatorily at fair value through profit or loss $million	Designated at fair value through profit or loss $million	Fair value through other comprehensive income $million	Total financial assets at fair value $million	Assets held at amortised cost $million	Total $million
		Assets at fair value							
Cash and balances at central banks		–	–	–	–	–	–	67,005	67,005
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		1,884	–	2,678	–	–	4,562	–	4,562
Loans and advances to customers[1]		5,223	–	3,222	–	–	8,445	–	8,445
Reverse repurchase agreements and other similar secured lending	15	528	–	73,870	–	–	74,398	–	74,398
Debt securities, alternative tier one and other eligible bills		27,665	–	646	75	–	28,386	–	28,386
Equity shares		2,105	–	220	–	–	2,325	–	2,325
Other assets	18	–	–	25	–	–	25	–	25
		37,405	–	80,661	75	–	118,141	–	118,141
Derivative financial instruments	14	73,448	3,228	–	–	–	76,676	–	76,676
Loans and advances to banks[1]		–	–	–	–	–	–	36,201	36,201
Of which: reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	795	795
Loans and advances to customers[1]		–	–	–	–	–	–	293,508	293,508
Of which: reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	7,894	7,894
Investment securities									
Debt securities, alternative tier one and other eligible bills		–	–	–	–	112,271	112,271	51,866	164,137
Equity shares		–	–	–	–	755	755	–	755
		–	–	–	–	113,026	113,026	51,866	164,892
Other assets	18	–	–	–	–	–	–	51,135	51,135
Assets held for sale	20	–	–	–	1	–	1	60	61
Total at 30 June 2022		110,853	3,228	80,661	76	113,026	307,844	499,775	807,619

1 Further analysed in Risk review and Capital review (pages 48 to 111)

13. Financial instruments continued

Assets	Notes	Assets at fair value: Trading $million	Assets at fair value: Derivatives held for hedging $million	Assets at fair value: Non-trading mandatorily at fair value through profit or loss $million	Assets at fair value: Designated at fair value through profit or loss $million	Assets at fair value: Fair value through other comprehensive income $million	Assets at fair value: Total financial assets at fair value $million	Assets held at amortised cost $million	Total $million
Cash and balances at central banks		–	–	–	–	–	–	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	15	–	–	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	18	–	–	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]		–	–	–	–	–	–	44,383	44,383
Of which: reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	1,079	1,079
Loans and advances to customers[1]		–	–	–	–	–	–	298,468	298,468
Of which: reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	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	18	–	–	–	–	–	–	40,068	40,068
Assets held for sale	20	–	–	–	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 48 to 111)

13. Financial instruments continued

Liabilities	Notes	Liabilities at fair value: Trading $million	Derivatives held for hedging $million	Designated at fair value through profit or loss $million	Total financial liabilities at fair value $million	Amortised cost $million	Total $million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		63	–	1,527	1,590	–	1,590
Customer accounts		98	–	10,937	11,035	–	11,035
Repurchase agreements and other similar secured borrowing	15	–	–	55,320	55,320	–	55,320
Debt securities in issue		–	–	6,807	6,807	–	6,807
Short positions		8,218	–	–	8,218	–	8,218
Other liabilities		9	–	4	13	–	13
		8,388	–	74,595	82,983	–	82,983
Derivative financial instruments	14	73,196	2,901	–	76,097	–	76,097
Deposits by banks		–	–	–	–	31,173	31,173
Customer accounts		–	–	–	–	453,742	453,742
Repurchase agreements and other similar secured borrowing	15	–	–	–	–	1,723	1,723
Debt securities in issue		–	–	–	–	58,043	58,043
Other liabilities	21	–	–	–	–	60,102	60,102
Subordinated liabilities and other borrowed funds	24	–	–	–	–	14,933	14,933
Total at 30 June 2022		**81,584**	**2,901**	**74,595**	**159,080**	**619,716**	**778,796**

Liabilities	Notes	Liabilities at fair value: Trading $million	Derivatives held for hedging $million	Designated at fair value through profit or loss $million	Total financial liabilities at fair value $million	Amortised cost $million	Total $million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	1,352	1,352	–	1,352
Customer accounts		198	–	9,093	9,291	–	9,291
Repurchase agreements and other similar secured borrowing	15	–	–	62,388	62,388	–	62,388
Debt securities in issue		–	–	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	15	–	–	–	–	3,260	3,260
Debt securities in issue		–	–	–	–	61,293	61,293
Other liabilities	21	–	–	–	–	43,432	43,432
Subordinated liabilities and other borrowed funds	24	–	–	–	–	16,646	16,646
Total at 31 December 2021		59,472	693	78,431	138,596	629,242	767,838

13. Financial instruments continued

Financial liabilities designated at fair value through profit or loss

	30.06.22 $million	31.12.21 $million
Carrying balance aggregate fair value	74,595	78,431
Amount contractually obliged to repay at maturity	75,495	78,691
Difference between aggregate fair value and contractually obliged to repay at maturity	(900)	(260)
Cumulative change in fair value accredited to Credit Risk difference	140	3

The net fair value gain on financial liabilities designated at fair value through profit or loss was $178 million for the half year ended 30 June 2022 (31 December 2021: net loss of $133 million). Further details of the Group's own credit adjustment (OCA) valuation technique is described later in this Note.

Interest rate benchmark reform

The Group previously disclosed its exposures to IBOR benchmarks as of 31 December 2021 (refer to page 348 of the 2021 Annual Report). In the Group's view the change in exposure since this date has not been significant, with USD LIBOR continuing to be the Group's largest exposure for both cash products and derivatives. In the second half of 2022 the Group will continue its efforts to actively transition financial contracts referencing USD LIBOR that mature after 30 June 2023 to the Secured Overnight Financing Rate (SOFR). For bilateral lending products, the plan is to achieve such remediation through bilateral negotiation with clients or, where that is not possible, amending the loan contract by adding a clause agreeing to a robust contractual fallback in advance of the cessation of LIBOR. For syndicated lending products, the remediation approach will largely be determined by the lender syndicate in consultation with the client. The Group will also be looking to achieve remediation of trade assets through bilateral negotiation with clients..

The Group's approach to managing the transition to alternative benchmark rates and risks to which the Group is exposed to due to IBOR transition are substantially the same as they were at 31 December 2021, except that the Group is no longer exposed to GBP, JPY, EUR and CHF LIBORs – please refer to pages 347-348 of the 2021 Annual Report.

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 performs an ongoing review of the market data sources that are used as part of the PV, fair and prudential valuation 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 and Strategic Investments, the valuation forums are held on a quarterly basis to review investments and their 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.
- 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.
- 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

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 prepayments, 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 market multiples – Price-to-Earnings (P/E), Price-to-Book (P/B) 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 or book values of the investee companies and market 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 market 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

13. Financial instruments continued

- **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 comparables 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 comparables, these loans are classified as Level 3
- **Other debt securities:** These debt securities include convertible bonds, corporate bonds, credit and structured notes. Where quoted prices are available through pricing vendors, brokers or observable trading activities from liquid markets, these are classified as Level 2 and valued using such quotes. Where there are significant valuation inputs which are unobservable in the market, due to illiquid trading or the complexity of the product, these are classified as Level 3. The valuations of these debt securities are implied using input parameters such as bond spreads and credit spreads. These input parameters are determined with reference to the same issuer (if available) or proxied from comparable issuers or assets.

Financial instruments held at amortised cost

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

- **Cash and balances at central banks:** The fair value of cash and balances at central banks is their carrying amounts
- **Debt securities in issue, subordinated liabilities and other borrowed funds:** The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted 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 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

13. Financial instruments continued

Fair value adjustments

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

	01.01.22 $million	Movement during the period $million	30.06.22 $million	01.01.21 $million	Movement during the period $million	31.12.21 $million
Bid-offer valuation adjustment	101	16	117	103	(2)	101
Credit valuation adjustment	165	82	247	189	(24)	165
Debit valuation adjustment	(70)	(115)	(185)	(55)	(15)	(70)
Model valuation adjustment	5	(1)	4	5	–	5
Funding valuation adjustment	–	33	33	5	(5)	–
Other fair value adjustments	20	10	30	32	(12)	20
Total	221	25	246	279	(58)	221
Income deferrals						
Day 1 and other deferrals	147	(36)	111	138	9	147
Total	147	(36)	111	138	9	147

Note: Bracket represents an asset and credit to the income statement

- **Bid-offer valuation adjustment:** Generally, market parameters are marked on a mid-market basis in the revaluation systems, and a bid-offer valuation adjustment is required to quantify the expected cost of neutralising the business' positions through dealing away in the market, thereby bringing long positions to bid and short positions to offer. The methodology to calculate the bid-offer adjustment for a derivative portfolio involves netting between long and short positions and the grouping of risk by strike and tenor based on the hedging strategy where long positions are marked to bid and short positions marked to offer in the systems
- **Credit valuation adjustment (CVA):** The Group accounts for CVA against the fair value of derivative products. CVA is an adjustment to the fair value of the transactions to reflect the possibility that our counterparties may default and we may not receive the full market value of the outstanding transactions. It represents an estimate of the adjustment a market participant would include when deriving a purchase price to acquire our exposures. CVA is calculated for each subsidiary, and within each entity for each counterparty to which the entity has exposure and takes account of any collateral we may hold. The Group calculates the CVA by using estimates of future positive exposure, market-implied probability of default (PD) and recovery rates. Where market-implied data is not readily available, we use market-based proxies to estimate the PD. Wrong-way risk occurs when the exposure to a counterparty is adversely correlated with the credit quality of that counterparty, and the Group has implemented a model to capture this impact for key wrong-way exposures. The Group also captures the uncertainties associated with wrong-way risk in the Group's Prudential Valuation Adjustments framework
- **Debit valuation adjustment (DVA):** The Group calculates DVA adjustments on its derivative liabilities to reflect changes in its own credit standing. The Group's DVA adjustments will increase if its credit standing worsens and conversely, decrease if its credit standing improves. For derivative liabilities, a DVA adjustment is determined by applying the Group's probability of default to the Group's negative expected exposure against the counterparty. The Group's probability of default and loss expected in the event of default is derived based on bond and 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

13. Financial instruments continued

- **Model valuation adjustment:** Valuation models may have pricing deficiencies or limitations that require a valuation adjustment. These pricing deficiencies or limitations arise due to the choice, implementation and calibration of the pricing model
- **Funding valuation adjustment (FVA):** The Group makes FVA adjustments against derivative products. FVA reflects an estimate of the adjustment to its fair value that a market participant would make to incorporate funding costs or benefits that could arise in relation to the exposure. FVA is calculated by determining the net expected exposure at a counterparty level and then applying a funding rate to those exposures that reflect the market cost of funding. The FVA for uncollateralised (including partially collateralised) derivatives incorporates the estimated present value of the market funding cost or benefit associated with funding these transactions
- **Other fair value adjustments:** The Group calculates the fair value on the interest rate callable products by calibrating to a set of market prices with differing maturity, expiry and strike of the trades
- **Day one and other deferrals:** In certain circumstances the initial fair value is based on a valuation technique which differs to the transaction price at the time of initial recognition. However, these gains can only be recognised when the valuation technique used is based primarily on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement. The difference is amortised to the income statement until the inputs become observable, or the transaction matures or is terminated. Other deferrals primarily represent adjustments taken to reflect the specific terms and conditions of certain derivative contracts which affect the termination value at the measurement date

In addition, the Group calculates own credit adjustment (OCA) on its issued debt designated at fair value, including structured notes, in order to reflect changes in its own credit standing. Own issued note liabilities are discounted utilising spreads as at the measurement date. These spreads consist of a market level of funding component and an idiosyncratic own credit component. Under IFRS 9 the change in the 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 30 June 2022 is a gain of $140 million (31 December 2021: $3 million gain).

Fair value hierarchy – financial instruments held at fair value

Assets and liabilities carried at fair value, or for which fair values are disclosed, have been classified into three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Group recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques at the end of the reporting period.

- **Level 1:** Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities
- **Level 2:** Fair value measurements are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable
- **Level 3:** Fair value measurements are those where inputs which could have a significant effect on the instrument's valuation are not based on observable market data

13. Financial instruments continued

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

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	–	4,476	86	4,562
Loans and advances to customers	4	7,456	985	8,445
Reverse repurchase agreements and other similar secured lending	–	72,784	1,614	74,398
Debt securities and other eligible bills	12,714	15,135	537	28,386
Of which:				
Issued by central banks & governments	12,254	5,283	–	17,537
Issued by corporates other than financial institutions[1]	52	4,087	504	4,643
Issued by financial institutions[1]	408	5,765	33	6,206
Equity shares	2,069	11	245	2,325
Derivative financial instruments	1,681	74,891	104	76,676
Of which:				
Foreign exchange	130	62,947	62	63,139
Interest rate	24	7,356	20	7,400
Credit	–	2,115	1	2,116
Equity and stock index options	–	210	1	211
Commodity	1,527	2,263	20	3,810
Investment securities				
Debt securities and other eligible bills	50,959	61,298	14	112,271
Of which:				
Issued by central banks & governments	38,265	23,727	14	62,006
Issued by corporates other than financial institutions[1]	1,544	4,164	–	5,708
Issued by financial institutions[1]	11,150	33,407	–	44,557
Equity shares	182	6	567	755
Other assets	–	–	25	25
Total financial instruments at 30 June 2022[2]	67,609	236,057	4,177	307,843
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	1,271	319	1,590
Customer accounts	–	10,350	685	11,035
Repurchase agreements and other similar secured borrowing	–	55,320	–	55,320
Debt securities in issue	–	6,162	645	6,807
Short positions	5,154	2,967	97	8,218
Derivative financial instruments	1,636	74,265	196	76,097
Of which:				
Foreign exchange	139	59,525	16	59,680
Interest rate	22	9,031	53	9,106
Credit	–	2,695	5	2,700
Equity and stock index options	–	126	122	248
Commodity	1,475	2,888	–	4,363
Other liabilities	–	9	4	13
Total financial instruments at 30 June 2022[2]	6,790	150,344	1,946	159,080

1 Includes covered bonds of $9,347 million, securities issued by Multilateral Development Banks/International Organisations of $12,830 million and State-owned agencies and development banks of $11,950 million

2 The above table does not include held for sale assets of $1 million and liabilities of $ nil

There were no significant changes to valuation or levelling approaches during the period ended 30 June 2022.

There were no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the period ended 30 June 2022.

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	–	3,838	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	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	1,069	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

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]	67,005	–	67,005	–	67,005
Loans and advances to banks	36,201	–	36,146	32	36,178
Of which: reverse repurchase agreements and other similar secured lending	795	–	795	–	795
Loans and advances to customers	293,508	–	53,961	239,075	293,036
Of which: reverse repurchase agreements and other similar secured lending	7,894	–	3,189	4,705	7,894
Investment securities[2]	51,866	–	50,627	25	50,652
Other assets[1]	51,135	–	51,135	–	51,135
Assets held for sale	60	–	–	60	60
At 30 June 2022	499,775	–	258,874	239,192	498,066
Liabilities					
Deposits by banks	31,173	–	31,248	–	31,248
Customer accounts	453,742	–	453,691	–	453,691
Repurchase agreements and other similar secured borrowing	1,723	–	1,723	–	1,723
Debt securities in issue	58,043	25,231	32,400	–	57,631
Subordinated liabilities and other borrowed funds	14,933	14,143	68	–	14,211
Other liabilities[1]	60,102	–	60,101	1	60,102
At 30 June 2022	619,716	39,374	579,231	1	618,606

		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

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 $17,570 million at 30 June 2022 and $17,153 million at 31 December 2021

13. Financial instruments continued

Fair value of financial instruments

Level 3 Summary and significant unobservable inputs

The following table presents the Group's primary Level 3 financial instruments which are held at fair value. The table also presents the valuation techniques used to measure the fair value of those financial instruments, the significant unobservable inputs, the range of values for those inputs and the weighted average of those inputs:

Instrument	Value as at 30 June 2022 Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to banks	86	–	Discounted cash flows	Price/yield	1.5% – 10.2%	8.4%
				Credit spreads	1.0%	1.0%
Loans and advances to customers	985	–	Discounted cash flows	Price/yield	1.3% – 16.3%	4.6%
				Recovery rates	5.3% – 100%	89.8%
Reverse repurchase agreements and other similar secured lending	1,614	–	Discounted cash flows	Repo curve	0.4% – 4.9%	3.1%
Debt securities, alternative tier one and other eligible securities	536	–	Discounted cash flows	Price/yield	3.3% – 12.4%	8.3%
				Recovery rates	0.01% – 1.0%	0.2%
Government bonds and treasury bills	14	–	Discounted cash flows	Price/yield	2.7% – 5.5%	3.7%
Asset-backed securities	1	–	Discounted cash flows	Price/yield	5.0%	5.0%
Equity shares (includes private equity investments)	812	–	Comparable pricing/yield	EV/EBITDA multiples	6.1x – 13.3x	7.5x
				EV/Revenue multiples	8.7x – 57.6x	24.1x
				P/E multiples	12.2x – 21.2x	13.7x
				P/B multiples	0.4x – 3.2x	1.2x
				P/S multiples	1.8x	1.8x
				Liquidity discount	9.3% – 29.5%	14.6%
			Discounted cash flows	Discount rates	6.9% – 18.1%	8.7%
			Option pricing model	Equity value based on EV/Revenue multiples	1.3x – 87.0x	15.8x
				Equity value based on volatility	60.0% – 70.0%	66.8%
			Internal pricing model	Equity correlation	15.0%–99.0%	69.0%
				Equity-FX correlation	(70.0%)–85.0%	(21.0)%
Other Assets	25	–	NAV	N/A	N/A	N/A
Derivative financial instruments of which:						
Foreign exchange	62	16	Option pricing model	Foreign exchange option implied volatility	5.9% – 15.4%	7.2%
			Discounted cash flows	Foreign exchange curves	(15.8%) – 39.3%	0.9%
Interest rate	20	53	Discounted cash flows	Interest rate curves	(15.8%) – 15.3%	0.1%
			Option pricing model	Bond option implied volatility	20.0%	20.0%
Credit	1	5	Discounted cash flows	Credit spreads	0.1% – 4.5%	1.4%
				Price/yield	5.1% – 14.6%	8.9%
Commodities	20		Internal pricing model	CM-CM correlation	92.7%	92.7%
Equity and stock index	1	122	Internal pricing model	Equity correlation	15.0% – 99.0%	69.0%
				Equity-FX correlation	(70.0)% – 85.0%	(21.0)%
Deposits by banks	–	319	Discounted cash flows	Credit spreads	0.3% – 3.7%	2.0%
				Price/yield	N/A	N/A
Customer accounts	–	685	Discounted cash flows	Credit spreads	1.0% – 2.4%	1.0%
				Interest rate curves	27.8% – 39.3%	31.0%
				Price/yield	6.7% – 18.1%	14.8%
			Internal pricing model	Equity correlation	15.0% – 99.0%	69.0%
				Equity-FX correlation	(70.0)% – 85.0%	(21.0)%
Debt securities in issue	–	645	Discounted cash flows	Credit spreads	0.5% – 2.4%	1.1%
				Price/yield	6.9% – 13.7%	10.5%
			Internal pricing model	Equity correlation	15.0% – 99.0%	69.0%
				Equity-FX correlation	(70.0)% – 85.0%	(21.0)%
Short positions	–	97	Discounted cash flows	Price/yield	7.7% – 7.7%	7.7%
Other Liabilities	–	4	Comparable pricing/yield	EV/EBITDA multiples	3.14x – 9.41x	6.32x
Total	4,177	1,946				

1 The ranges of values shown in the above table represent the highest and lowest levels used in the valuation of the Group's Level 3 financial instruments as at 30 June 2022. 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

	Value as at 31 December 2021					
Instrument	Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to banks	9	–	Discounted cash flows	Recovery rates	87.3%–100%	93.6%
Loans and advances to customers	1,357	–	Discounted cash flows	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 cash flows	Repo curve	0.3%–3.0%	2.4%
Debt securities, alternative tier one and other eligible securities	349	–	Discounted cash flows	Price/yield	5.1% – 12.4%	7.5%
				Recovery rates	0.01% – 1.0%	0.2%
Government bonds and treasury bills	40	–	Discounted cash flows	Price/yield	2.7% – 5.5%	3.7%
Asset-backed securities	–	–	Discounted cash flows	Price/yield	N/A	N/A
Equity shares (includes private equity investments)	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 cash flows	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 cash flows	Foreign exchange curves	(16.4)% – 57.3%	9.0%
Interest rate	53	16	Discounted cash flows	Interest rate curves	(16.4)%-18.8%	5.0%
			Option pricing model	Bond option implied volatility	N/A	N/A
Credit	24	41	Discounted cash flows	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 cash flows	Credit spreads	0.4% – 3.0%	1.4%
				Price/yield	6.8%–8.3%	7.5%
Customer accounts	–	454	Discounted cash flows	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 cash flows	Credit spreads	0.9%–2.2%	1.0%
				Interest rate curves	0.9% – 5.6%	4.9%
			Internal pricing model	Equity correlation	8.0% – 96.0%	70.0%
				Equity-FX correlation	(70.0)%-85.0%	(33.0)%
Short positions	–	–	N/A	N/A	N/A	N/A
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 as at 31 December 2021. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments

2 Weighted average for non-derivative financial instruments has been calculated by weighting inputs by the relative fair value. Weighted average for derivatives has been provided by weighting inputs by the risk relevant to that variable. N/A has been entered for the cases where weighted average is not a meaningful indicator

13. Financial instruments continued

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

- Comparable price/yield is a valuation methodology in which the price of a comparable instrument is used to estimate the fair value where there are no direct observable prices. Yield is the interest rate that is used to discount the future 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 are 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 an 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.

	30.06.22									
	Held at fair value through profit or loss							Investment securities		
	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 2022	9	1,357	1,566	349	186	26	90	40	493	4,116
Total (losses)/gains recognised in income statement	(4)	(76)	2	(129)	4	–	13	–	–	(190)
Net trading income	(4)	(76)	2	(129)	4	–	13	–	–	(190)
Other operating income	–	–	–	–	–	–	–	–	–	–
Total (losses)/gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	–	–	(40)	(40)
Fair value through OCI reserve	–	–	–	–	–	–	–	–	(32)	(32)
Exchange difference	–	–	–	–	–	–	–	–	(8)	(8)
Purchases	90	326	2,764	347	58	–	44	(1)	115	3,743
Issues										
Sales	(9)	(255)	(2,497)	(104)	(3)	(1)	(46)	–	(1)	(2,916)
Settlements	–	(321)	(221)	(2)	–	–	(4)	(25)	–	(573)
Transfers out[1]	–	(65)	–	–	–	–	(4)	–	–	(69)
Transfers in[2]	–	19	–	76	–	–	11	–	–	106
At 30 June 2022	86	985	1,614	537	245	25	104	14	567	4,177
Total unrealised (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of assets held at 30 June 2022	–	(40)	–	(2)	8	–	3	–	–	(31)

1 Transfers out includes loans and advances and derivative financial instruments where the valuation parameters became observable during the period and were transferred to Level 1 and Level 2

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

13. Financial instruments continued

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

	30.06.21									
	Held at fair value through profit or loss							Investment securities		
Assets	Loans and advances to banks $million	Loans and advances to customers $million	Reverse repurchase agreements and other similar secured lending $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Other Assets $million	Derivative financial instruments $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Total $million
At 1 January 2021	200	718	1,064	258	279	–	8	40	381	2,948
Total gains/(losses) recognised in income statement	1	(42)	–	–	(21)	–	–	–	–	(62)
Net trading income	1	(42)	–	–	(21)	–	–	–	–	(62)
Other operating income	–	–	–	–	–	–	–	–	–	–
Total gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	–	1	42	43
Fair value through OCI reserve	–	–	–	–	–	–	–	1	42	43
Exchange difference	–	–	–	–	–	–	–	–	–	–
Purchases	–	495	2,454	184	8	–	43	–	28	3,212
Issues										
Sales	–	(316)	(2,196)	(115)	(44)	–	(2)	–	(3)	(2,676)
Settlements	(201)	(153)	–	–	–	–	(3)	(10)	–	(367)
Transfers out[1]	–	(46)	–	–	(6)	–	(4)	–	(60)	(116)
Transfers in[2]	–	558	–	–	–	17	4	10	–	589
At 30 June 2021	–	1,214	1,322	327	216	17	46	41	388	3,571
Total unrealised (losses) recognised in the income statement, within net trading income, relating to change in fair value of assets held at 30 June 2021	–	(1)	–	(7)	(2)	–	(3)	–	–	(13)

13. Financial instruments continued

	31.12.21									
	Held at fair value through profit or loss							Investment securities		
Assets	Loans and advances to banks $million	Loans and advances to customers $million	Reverse repurchase agreements and other similar secured lending $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Other Assets $million	Derivative financial instruments $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Total $million
At 1 July 2021	–	1,214	1,322	327	216	17	46	41	388	3,571
Total (losses)/gains recognised in income statement	–	(55)	2	(24)	(9)	–	34	–	–	(52)
Net trading income	–	(55)	2	(23)	(9)	–	34	–	–	(51)
Other operating income	–	–	–	(1)	–	–	–	–	–	(1)
Impairment charge	–	–	–	–	–	–	–	–	–	–
Total gains /(losses) recognised in other comprehensive income (OCI)	–	–	–	–	–	–	–	2	19	21
Fair value through OCI reserve	–	–	–	–	–	–	–	5	21	26
Cash flow hedge reserve	–	–	–	–	–	–	–	–	–	–
Exchange difference	–	–	–	–	–	–	–	(3)	(2)	(5)
Purchases	9	786	2,519	203	–	–	48	–	95	3,660
Issues										
Sales	–	(371)	(2,196)	(111)	(11)	–	(30)	–	(6)	(2,725)
Settlements	–	(149)	(81)	(70)	–	–	(2)	(3)	–	(305)
Transfers out[1]	–	(14)	–	–	(10)	–	(7)	–	(3)	(34)
Transfers in[2]	–	(54)	–	24	–	9	1	–	–	(20)
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	–	1	–	15	(13)	–	22	–	–	25

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

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

13. Financial instruments continued

Level 3 movement tables – financial liabilities

	30.06.22						
	Deposits by banks $million	Customer accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Short positions $million	Other Liabilities $million	Total $million
At 1 January 2022	283	454	821	94	–	1	1,653
Total (gains)/losses recognised in income statement – net trading income	(15)	(56)	(142)	104	(3)	3	(109)
Issues	223	934	387	89	100	–	1,733
Settlements	(172)	(647)	(473)	(89)	–	–	(1,381)
Transfers out[1]	–	–	(24)	(3)	–	–	(27)
Transfers in[2]	–	–	76	1	–	–	77
At 30 June 2022	319	685	645	196	97	4	1,946
Total unrealised (gains) recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 30 June 2022	–	(2)	(7)	(2)	–	–	(11)

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

	31.12.21						
	Deposits by banks $million	Customer Accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Short positions $million	Other Liabilities $million	Total $million
At 1 July 2021	276	208	603	111	–	–	1,198
Total (gains) recognised in income statement – net trading income	–	(16)	(12)	(20)	–	–	(48)
Issues	1	575	881	66	–	–	1,523
Settlements	1	(313)	(625)	(74)	–	–	(1,011)
Transfers out[1]	–	–	(26)	(5)	–	–	(31)
Transfers in[2]	5	–	–	16	–	1	22
At 31 December 2021	283	454	821	94	–	1	1,653
Total unrealised (gains)/losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2021	–	(12)	7	(14)	–	–	(19)

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 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	1,071	1,096	1,030	–	–	–
Reverse Repurchase agreements and other similar secured lending	1,614	1,624	1,604	–	–	–
Asset backed securities	1	1	1	–	–	–
Debt securities, alternative tier one and other eligible bills	536	554	519	14	14	14
Equity shares	245	270	220	567	614	514
Other Assets	25	28	23	–	–	–
Derivative financial instruments	(92)	(57)	(127)	–	–	–
Customers accounts	(685)	(654)	(716)	–	–	–
Deposits by banks	(319)	(319)	(319)	–	–	–
Debt securities in issue	(645)	(594)	(696)	–	–	–
Short positions	(97)	(95)	(99)	–	–	–
Other Liabilities	(4)	(4)	(4)	–	–	–
At 30 June 2022	1,650	1,850	1,436	581	628	528
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)	–	–	–
Customers accounts	(454)	(447)	(461)	–	–	–
Deposits by banks	(283)	(278)	(287)	–	–	–
Debt securities in issue	(821)	(764)	(879)	–	–	–
Short positions	–	–	–	–	–	–
Other Liabilities	(1)	(1)	(1)	–	–	–
At 31 December 2021	1,930	2,097	1,758	533	582	480

The reasonably possible alternatives could have increased or decreased the fair values of financial instruments held at fair value through profit or loss and those classified as fair value through other comprehensive income by the amounts disclosed below.

Financial instruments	Fair value changes	30.06.22 $million	31.12.21 $million
Held at fair value through profit or loss	Possible increase	200	167
	Possible decrease	(214)	(172)
Fair value through other comprehensive income	Possible increase	47	49
	Possible decrease	(53)	(53)

14. Derivative financial instruments

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

Derivatives

	30.06.22			31.12.21		
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	3,519,329	43,417	39,988	3,750,151	30,256	30,068
Currency swaps and options	1,405,464	19,722	19,692	1,412,055	11,492	11,659
	4,924,793	63,139	59,680	5,162,206	41,748	41,727
Interest rate derivative contracts:						
Swaps	3,925,932	48,516	49,707	3,609,625	31,490	31,078
Forward rate agreements and options	105,819	1,742	2,290	127,287	1,328	1,859
Exchange traded futures and options	409,195	355	322	295,192	156	132
	4,440,946	50,613	52,319	4,032,104	32,974	33,069
Credit derivative contracts	229,152	2,116	2,700	184,953	2,289	3,125
Equity and stock index options	5,907	211	248	8,714	136	160
Commodity derivative contracts	154,156	3,810	4,363	113,807	1,896	1,916
Gross total derivatives	9,754,954	119,889	119,310	9,501,784	79,043	79,997
Offset	–	(43,213)	(43,213)	–	(26,598)	(26,598)
Net total derivatives	9,754,954	76,676	76,097	9,501,784	52,445	53,399

The Group limits exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are only presented net in these accounts where they are subject to legal right of offset and intended to be settled net in the ordinary course of business.

The Group applies balance sheet offsetting only in the instance where we are able to demonstrate legal enforceability of the right to offset (e.g. via legal opinion) and the ability and intention to settle on a net basis (e.g. via operational practice).

The Group may enter into economic hedges that do not qualify for IAS 39 hedge accounting treatment, including derivative such as interest rate swaps, interest rate futures and cross-currency swaps to manage interest rate and currency risks of the Group. These derivatives are measured at fair value, with fair value changes recognised in net trading income: refer to Market Risk (page 92).

Derivatives held for hedging

	30.06.22			31.12.21		
	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	78,903	1,704	2,034	78,666	957	338
Currency swaps	2,280	33	274	2,262	43	151
	81,183	1,737	2,308	80,928	1,000	489
Derivatives designated as cash flow hedges:						
Interest rate swaps	38,698	139	498	10,381	60	74
Forward foreign exchange contracts	5,353	275	–	72	2	–
Currency swaps	10,434	610	94	12,214	293	51
	54,485	1,024	592	22,667	355	125
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	17,096	467	1	13,198	88	79
Total derivatives held for hedging	152,764	3,228	2,901	116,793	1,443	693

14. Derivative financial instruments continued

Interest rate benchmark reform

As at 30 June 2022, the following populations of derivative instruments designated in fair value or cash flow hedge accounting relationships were linked to IBOR reference rates:

	Fair value hedges $million	Cash flow hedges $million	Total $million	Weighted average exposure Years
Interest rate swaps				
USD LIBOR	**35,906**	**29,743**	**65,649**	**2.6**
GBP LIBOR	**–**	**–**	**–**	**–**
JPY LIBOR	**–**	**–**	**–**	**–**
SGD SOR	**–**	**–**	**–**	**–**
	35,906	**29,743**	**65,649**	**2.6**
Cross-currency swaps				
USD LIBOR vs Fixed rate foreign currency	**1,646**	**3,079**	**4,725**	**0.7**
Total notional of hedging instruments in scope of IFRS amendments as at 30 June 2022	**37,552**	**32,822**	**70,374**	**2.5**

	Fair value hedges $million	Cash flow 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

The Group's primary exposure is to USD LIBOR due to the extent of fixed rate debt security assets and issued notes denominated in USD that are designated in fair value hedge relationships. Where fixed rate instruments are in other currencies, cross-currency swaps are used to achieve an equivalent floating USD exposure.

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

Reverse repurchase agreements and other similar secured lending

	30.06.22 $million	31.12.21 $million
Banks	**22,672**	19,806
Customers	**60,415**	68,613
	83,087	88,419
Of which:		
Fair value through profit or loss	**74,398**	80,009
Banks	**21,877**	18,727
Customers	**52,521**	61,282
Held at amortised cost	**8,689**	8,410
Banks	**795**	1,079
Customers	**7,894**	7,331

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

Under reverse repurchase and securities borrowing arrangements, the Group obtains securities on terms which permit it to repledge or resell the securities to others. Amounts on such terms are:

	30.06.22 $million	31.12.21 $million
Securities and collateral received (at fair value)	109,863	118,636
Securities and collateral which can be repledged or sold (at fair value)	108,816	117,408
Amounts repledged/transferred to others for financing activities, to satisfy liabilities under sale and repurchase agreements (at fair value)	48,520	57,879

Repurchase agreements and other similar secured borrowing

	30.06.22 $million	31.12.21 $million
Banks	14,809	7,054
Customers	42,234	58,594
	57,043	65,648
Of which:		
Fair value through profit or loss	55,320	62,388
Banks	13,086	5,107
Customers	42,234	57,281
Held at amortised cost	1,723	3,260
Banks	1,723	1,947
Customers	–	1,313

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

	30.06.22				
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	4,368	2,014	3,492	–	9,874
Off-balance sheet					
Repledged collateral received	–	–	–	48,520	48,520
At 30 June 2022	4,368	2,014	3,492	48,520	58,394

	31.12.21				
Collateral pledged against repurchase agreements	Fair value through profit or loss $million	Fair value through other comprehensive income $million	Amortised cost $million	Off-balance sheet $million	Total $million
On-balance sheet					
Debt securities and other eligible bills	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

16. Goodwill and intangible assets

	30.06.22				31.12.21			
	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million
Cost								
At 1 January	2,595	457	4,464	7,516	2,617	473	3,682	6,772
Exchange translation differences	(82)	(50)	(119)	(251)	(22)	(14)	(73)	(109)
Additions	–	–	486	486	–	–	989	989
Amounts written off	–	–	(26)	(26)	–	(2)	(134)	(136)
At 30 June/31 December	2,513	407	4,805	7,725	2,595	457	4,464	7,516
Provision for amortisation								
At 1 January	–	437	1,608	2,045	–	451	1,258	1,709
Exchange translation differences	–	(52)	(49)	(101)	–	(22)	(20)	(42)
Amortisation	–	2	260	262	–	8	461	469
Impairment charge	–	–	1	1	–	–	4	4
Amounts written off	–	–	(19)	(19)	–	–	(95)	(95)
At 30 June/31 December	–	387	1,801	2,188	–	437	1,608	2,045
Net book value	2,513	20	3,004	5,537	2,595	20	2,856	5,471

At 30 June 2022, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to $3,317 million (31 December 2021: $3,317 million), of which nil was recognised in 2022 (31 December 2021: nil million).

Outcome of impairment assessment

At 30 June 2022, the Group performed a review of the goodwill that has been assigned to the Group's CGUs for indicators of impairment, considering whether there were any reduced expectations for future cashflows and/or fluctuations in the discount rate or the assumptions. Due to the ongoing global pandemic and global economic environment, it was decided to perform a full impairment analysis. The results of this review indicated that at 30 June 2022 there are no goodwill impairments to be recognised in the first half of 2022.

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.

	30.06.22			31.12.21		
Cash-generating unit	Goodwill $million	Pre-tax discount rates per cent	Long-term forecast GDP growth rates per cent	Goodwill $million	Pre-tax discount rates per cent	Long-term forecast GDP growth rates per cent
Country CGUs						
Asia	1,046			1,073		
Hong Kong	355	10.9	2.2	357	10.6	2.5
Taiwan	342	10.9	1.2	361	10.4	2.0
Singapore	335	11.7	1.6	341	11.6	2.4
Bangladesh	14	18.7	6.5	14	15.0	7.3
Africa & Middle East	88			92		
Pakistan	39	25.4	5.1	43	22.2	6.0
Bahrain	49	13.3	2.1	49	13.1	3.0
Global CGUs	1,379			1,430		
Global Private Banking	84	12.6	1.8	84	12.4	2.5
Corporate, Commercial & Institutional Banking	1,295	12.7	2.5	1,346	12.5	3.0
	2,513			2,595		

In the current period there are no CGUs that are sensitive to any individual movement on key estimates (cashflow, discount rate and GDP growth rate).

17. Property, plant and equipment

	30.06.22					
	Premises $million	Equipment $million	Operating lease assets $million	Leased premises assets $million	Leased equipment assets $million	Total $million
Cost or valuation						
At 1 January	1,980	901	4,248	1,854	33	9,016
Exchange translation differences	(92)	(59)	–	(66)	(3)	(220)
Additions[1]	36	39	478	54	1	608
Disposals and fully depreciated assets written off[2]	(36)	(15)	(258)	(25)	(1)	(335)
Transfers to assets held for sale	–	–	–	–	–	–
As at 30 June	1,888	866	4,468	1,817	30	9,069
Depreciation						
Accumulated at 1 January	795	611	1,155	819	20	3,400
Exchange translation differences	(35)	(31)	–	(33)	(4)	(103)
Charge for the period	35	60	105	126	4	330
Impairment charge	–	–	(1)	–	–	(1)
Attributable to assets sold, transferred or written off[2]	(19)	(15)	(177)	(17)	–	(228)
Transfers to assets held for sale	–	–	–	–	–	–
Accumulated at 30 June	776	625	1,082	895	20	3,398
Net book amount at 30 June	1,112	241	3,386	922	10	5,671

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 $553 million, primarily on aircraft purchases for the Group's aircraft operating leasing business

2 Disposals for property, plant and equipment during the year of $139 million in the cash flow statement would include the gains and losses incurred as part of other operating income (Note 6) on disposal of assets during the period and the net book value disposed

	31.12.21					
	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	2,048	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 period	74	121	213	296	8	712
Impairment charge	–	–	64	42	–	106
Attributable to assets sold, transferred 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 (FY'21) under cash flows from investing activities section for the purchase of property, plant and equipment during the year of $352 million, primarily on aircrafts purchase for the Group's aircraft operating leasing business

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 period and the net book value disposed

17. Property, plant and equipment continued

Operating lease assets

The operating lease assets subsection of property, plant and equipment is the Group's aircraft leasing business, consisting of 100 commercial aircraft at 30 June 2022, of which 98 are narrow-bodies and 2 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, and rental income from operating lease assets is disclosed in Note 6. At 30 June 2022, these assets had a net book value of $3,386 million (31 December 2021: $3,092 million).

Under these leases the lessee is responsible for the maintenance and servicing of the aircraft during the lease term while the Group receives rental income and assumes the risks of the residual value of the aircraft at the end of the lease. Initial lease terms range in length up to 12 years, while the average remaining lease term at 30 June 2022 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 that the two biggest risks remain either an increase in the discount rate, as the majority of the leased portfolio is valued on a VIU basis, or a substantial number of airline clients defaulting. A sensitivity test was performed on the narrow-body portfolio assuming a discount rate increase of 50 basis points which resulted in a possible increase in impairment of $47 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 $47 million.

18. Other assets

	30.06.22 $million	31.12.21 $million
Financial assets held at amortised cost (Note 13):		
Hong Kong SAR Government certificates of indebtedness (Note 21)[1]	7,232	7,284
Cash collateral	11,459	9,217
Acceptances and endorsements	6,037	4,930
Unsettled trades and other financial assets	26,407	18,637
	51,135	40,068
Non-financial assets:		
Commodities and emissions certificates[2]	10,506	9,265
Other assets	470	599
	62,111	49,932

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 emissions certificates are carried at fair value less costs to sell, $5.0 billion are classified as Level 1 and $5.5 million are classified as Level 2

19. Investment in associates and joint ventures

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

	30.06.22 $million	31.12.21 $million
Loss from investment in joint ventures	(3)	(2)
Profit from investment in associates	156	198
Total	153	196

Interests in associates and joint ventures	30.06.22 $million	31.12.21 $million
As at 1 January	2,147	2,162
Exchange translation difference	(58)	43
Additions	4	90
Share of profits	153	196
Dividend received	(58)	(38)
Disposals	(1)	(16)
Impairment	–	(300)
Share of FVOCI and Other reserves	(82)	10
As at 30 June/ 31 December	2,105	2,147

19. Investment in associates and joint ventures continued

The Group's principal associate 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

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 exercises over financial and operating policy decisions. 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 per cent.

For the period ended 30 June 2022, the Group recognised Bohai's results from 1 October 2021 through 31 March 2022 (six months of earnings). Bohai 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.

Impairment testing

At 30 June 2022, the listed equity value, which is considered the fair value of Bohai is below the carrying amount of the investment in associate. As a result, the Group has performed an impairment test on the carrying amount, which confirmed that there was no impairment at 30 June 2022.

Bohai	30.06.22 $million	31.12.21 $million
VIU	1,881	1,917
Carrying amount[1]	1,881	2,217
Fair value	491	1,114

1 The above represents the Group's 16.26 per cent share of net assets less other equity instruments the Group does not hold (for 2022 this is net of a $300m impairment taken in 2021)

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. We have adjusted these cash flows as a result of continued market uncertainty in China;
- a discount rate based upon a capital asset pricing model (CAPM) calculation for Bohai representing the risk-free rate and company risk premium. 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.

19. Investment in associates and joint ventures continued

The key assumptions used in the VIU calculation:

	30.06.22 per cent	31.12.21 per cent
Pre-tax discount rate	**14.90**	14.83
Forecast profit long-term growth rate	**4.00**	4.75
Long-term RWA growth rate	**4.00**	4.75
Capital requirement adequacy ratio	**7.50**	7.50

	Base case				Sensitivities – 30.06.22									
					GDP		Discount rate		Forecast profit		RWA		Combined RWA -10%	Combined RWA +10%
					+1%	-1%	+1%	-1%	+10%	-10%	+10%	-10%	CF -10%	CF +10%
Carrying amount $millions	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
1,881	1,881	–	14.90%	4.00%	1	(5)	(197)	263	265	(265)	(180)	180	(85)	85

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:

	31.03.22 $million	31.03.2021 $million
Total assets	**240,876**	225,705
Total liabilities	**224,212**	209,356
Operating income[1]	**1,954**	2,545
Profit after tax[1]	**963**	834
Other comprehensive income[1]	**(483)**	(29)

1 This represents six months of earnings (1 October to 31 March)

20. Assets held for sale and associated liabilities

Assets held for sale

	30.06.22 $million	31.12.21 $million
Financial assets held at fair value through profit or loss	**1**	43
Loans and advances to customers	**–**	20
Equity shares	**1**	23
Financial assets held at amortised cost	**60**	52
Loans and advances to customers	**60**	52
Property, plant and equipment	**160**	239
Vessels	**156**	230
Others	**4**	9
	221	334

Disposal of Property, Plant and equipment classified under assets held for sale during 30 June 2022 was $79 million (31 December 2021: $149 million).

As at 30 June 2022, there were no liabilities included in disposal groups held for sale (31 December 2021: nil).

21. Other liabilities

	30.06.22 $million	31.12.21 $million
Financial liabilities held at amortised cost (Note 13)		
Notes in circulation[1]	**7,232**	7,284
Acceptances and endorsements	**6,037**	4,930
Cash collateral	**14,559**	8,092
Property leases[2]	**1,045**	1,170
Equipment leases[2]	**13**	17
Unsettled trades and other financial liabilities	**31,216**	21,940
	60,102	43,433
Non-financial liabilities		
Cash-settled share-based payments	**61**	55
Other liabilities	**1,352**	826
	61,515	44,314

1 Hong Kong currency notes in circulation of $7,232 million (31 December 2021: $7,284 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.

22. Contingent liabilities and commitments

The table below shows the contract or underlying principal amounts of unmatured off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

	30.06.22 $million	31.12.21 $million
Financial guarantees and trade credits		
Financial guarantees, trade credits and irrevocable letters of credit	**58,415**	58,535
	58,415	58,535
Commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend		
One year and over	**72,055**	69,542
Less than one year	**28,341**	27,306
Unconditionally cancellable	**62,445**	61,675
	162,841	158,523
Capital Commitments		
Contracted capital expenditure approved by the directors but not provided for in these accounts[1]	**120**	124

1 Of which the Group has commitments totalling $96 million to purchase aircraft for delivery in 2022 (31 December 2021: $96 million). Pre-delivery payments of $26 million (2021: $26 million) have been made in respect of these commitments

As set out in Note 23, the Group has contingent liabilities in respect of certain legal and regulatory matters for which it is not practicable to estimate the financial impact as there are many factors that may affect the range of possible outcomes.

23. Legal and regulatory matters

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

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 April 2022 and concerns terrorist attacks that occurred in Afghanistan between 2013 and 2016. The plaintiffs in each of these lawsuits have alleged that the defendant banks aided and abetted the unlawful conduct of parties with connections to terrorist organisations 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 April 2022 and a similar 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. On 2 March 2022, the plaintiffs filed a notice of appeal against the 2 February 2022 ruling.

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.

The Group has concluded that the threshold for recording provisions pursuant to IAS 37 Provisions, Contingent Liabilities and Contingent Assets is not met with respect to the above matters; however, the outcomes of these lawsuits are inherently uncertain and difficult to predict.

24. Subordinated liabilities and other borrowed funds

	30.06.22			
	USD $million	GBP $million	EUR $million	Total $million
Fixed rate subordinated debt	**10,662**	**903**	**3,207**	**14,772**
Floating rate subordinated debt	**161**	**–**	**–**	**161**
Total	**10,823**	**903**	**3,207**	**14,933**

	31.12.21			
	USD $million	GBP $million	EUR $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

Redemption during the year
On 25 January 2022, Standard Chartered PLC exercised its right to redeem USD 1 billion 5.7 per cent subordinated notes 2022.

Issuance during the year
On 12 January 2022, Standard Chartered PLC issued USD 750 million 3.603 per cent Fixed Rate Reset Dated Subordinated Notes due 2033.

25. Share capital, other equity instruments and reserves

Group and Company

	Number of ordinary shares millions	Ordinary share capital[1] $million	Ordinary share premium $million	Preference share premium[2] $million	Total share capital and share premium $million	Other equity instruments $million
At 1 January 2021	3,156	1,578	3,986	1,494	7,058	4,518
Cancellation of shares including share buy-back	(37)	(19)	–	–	(19)	–
Additional Tier 1 equity issuance	–	–	–	–	–	1,239
Other movements	–	–	3	–	3	–
At 30 June 2021	3,119	1,559	3,989	1,494	7,042	5,757
Cancellation of shares including share buy-back	(40)	(20)	–	–	(20)	–
Additional Tier 1 equity issuance	–	–	–	–	–	1,489
Additional Tier 1 redemption	–	–	–	–	–	(992)
At 31 December 2021	**3,079**	**1,539**	**3,989**	**1,494**	**7,022**	**6,254**
Cancellation of shares including share buy-back	**(111)**	**(56)**	**–**	**–**	**(56)**	**–**
Additional Tier 1 redemption	**–**	**–**	**–**	**–**	**–**	**(990)**
At 30 June 2022	**2,968**	**1,483**	**3,989**	**1,494**	**6,966**	**5,264**

1 Issued and fully paid ordinary shares of 50 cents each

2 Includes preference share capital of $75,000

25. Share capital, other equity instruments and reserves continued

Share buy-back

On 18 February 2022, 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 $56 million, and the total consideration paid was $754 million (including $4 million of fees and stamp duty), The buy-back completed on 19 May 2022. The total number of shares purchased was 111,295,408, representing 3.61% 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 $
February 2022	14,397,852	5.85	5.15	5.55486	79,978,036	107,767,620
March 2022	49,510,420	5.45	4.31	4.94563	244,860,409	322,288,357
April 2022	29,085,345	5.27	4.79	5.05874	147,135,270	190,912,883
May 2022	18,301,791	5.99	5.45	5.71978	104,682,211	129,028,610

Ordinary share capital

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

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

Preference share capital

At 30 June 2022, the Company has 15,000 $5 non-cumulative redeemable preference shares in issue, with a premium of $99,995 making a paid up amount per preference share of $100,000. The preference shares are redeemable at the option of the Company and are classified in equity.

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

Other equity instruments

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[1]	Coupon payment dates[2]	First reset dates[3]	Conversion price per ordinary share
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 Interest rates for the period from (and including) the issue date to (but excluding) the first reset date

2 Interest payable semi-annually in arrears

3 Securities are resettable each date falling five years, or an integral multiple of five years, after the first reset date

Standard Chartered PLC redeemed $999m Fixed Rate Resetting Perpetual Contingent Convertible Securities on its first optional redemption date of 2 April 2022.

The AT1 issuances above are primarily purchased by institutional investors.

25. 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 pre-determined 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 817 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 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

25. Share capital, other equity instruments and reserves continued

A substantial part of the Group's reserves is held in overseas subsidiary undertakings and branches, principally to support local operations or to comply with local regulations. The maintenance of local regulatory capital ratios could potentially restrict the amount of reserves which can be remitted. In addition, if these overseas reserves were to be remitted, further unprovided taxation liabilities might arise.

As at 30 June 2022, the distributable reserves of Standard Chartered PLC (the Company) were $13.8 billion (31 December 2021: $15.0 billion). These comprised retained earnings and $12.6 billion of the merger reserve account. Distribution of reserves is subject to maintaining minimum capital requirements.

Own shares

Computershare Trustees (Jersey) Limited is the trustee of the 2004 Employee Benefit Trust ('2004 Trust') and Ocorian Trustees (Jersey) Limited 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 other employee share-based payments (such as upfront shares and salary shares) and the 1995 Trust has historically been 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		
	30.06.22	31.12.21	30.06.21	**30.06.22**	31.12.21	30.06.21	**30.06.22**	31.12.21	30.06.21
Shares purchased during the period	**–**	–	–	**–**	36,487,747	12,243,256	**–**	36,487,747	12,243,256
Market price of shares purchased ($million)	**–**	–	–	**–**	237	82	**–**	237	82
Shares transferred between trusts	**–**	–	–	**–**	–	–	**–**	–	–
Shares held at the end of the period	**–**	–	–	**479,591**	22,461,243	82,213	**479,591**	22,461,243	82,213
Maximum number of shares held during the period							**22,459,399**	23,076,993	17,560,740

1 Note that in 2021, 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.

26. Retirement benefit obligations

Retirement benefit obligations comprise:

	30.06.22 $million	31.12.21 $million	30.06.21 $million
Total market value of assets	**2,242**	2,942	2,889
Present value of the plans liabilities	**(2,362)**	(3,134)	(3,228)
Defined benefit plans obligation	**(120)**	(192)	(339)
Defined contribution plans obligation	**(21)**	(18)	(17)
Net obligation	**(141)**	(210)	(356)

26. Retirement benefit obligations continued

Retirement benefit charge comprises:

	6 months ended 30.06.22 $million	6 months ended 31.12.21 $million	6 months ended 30.06.21 $million
The pension cost for defined benefit plans was:			
Current service cost	28	33	31
Past service cost and curtailments	(1)	(5)	–
Settlement cost	–	(4)	–
Interest income on pension plan assets	(32)	(28)	(25)
Interest on pension plan liabilities	34	31	29
Total charge to profit before deduction of tax	**29**	27	35
Losses/(returns) on plan assets excluding interest income	429	(110)	39
(Gains)/losses on liabilities	(513)	38	(146)
Total (gains)/losses recognised directly in statement of comprehensive income before tax	(84)	(72)	(107)
Deferred taxation	23	3	14
Total (gains)/losses after tax	**(61)**	(69)	(93)

Defined benefit liability values have decreased since 31 December 2021 due to rising bond yields, which lead to the liabilities being discounted at a higher rate. Asset values have fallen since 31 December due to the effect of rising yields on bond assets, in addition to poor equity performance over the 6 months to 30 June 2022.

Liabilities have decreased to a greater extent than assets, and as a result there is a reduction in the net balance sheet liability compared to 31 December 2021.

The defined benefit income statement charge for the six months to 30 June 2022 is lower than the corresponding income statement charge for the six months to 30 June 2021, driven by increase in the yields used to calculate current service cost at December 2021 (compared to 31 December 2020 yields used for FY21 service cost), a reduction in the finance cost due to improvement in funding levels from 31 Dec 2020 to 31 Dec 2021, and currency depreciation against the US dollar which has led to a reduction in the DB service cost in USD terms in most countries.

27. Related party transactions

Directors and officers

As at 30 June 2022, Standard Chartered Bank had in place a charge over $89 million (31 December 2021: $100 million) of cash assets in favour of the independent trustee of its employer financed retirement benefit scheme.

There were no changes in the related party transactions described in the Annual Report 2021 that could have or have had a material effect on the financial position or performance of the Group in the period ended 30 June 2022. All related party transactions have taken place in the period were similar in nature to those disclosed in the Annual Report 2021.

Associate and joint ventures

The following transactions with related parties are on an arm's length basis:

	30.06.22 $million	31.12.21 $million
Assets		
Loans and advances	–	–
Debt securities	–	–
Total assets	**–**	–
Liabilities		
Deposits	702	984
Derivative liabilities	–	1
Total liabilities	**702**	985
Loan commitments and other guarantees[1]	52	80

1 The maximum loan commitments and other guarantees during the period were $52 million (31 December 2021: $80 million)

28. Post balance sheet events

The Board has recommended an interim ordinary dividend for the half year 2022 of 4 cents a share or $119 million.

The Board has also decided to carry out a share buy-back for up to a maximum consideration of $500 million to further reduce the number of ordinary shares in issue by cancelling the repurchased shares.

29. Corporate governance

The directors confirm that, throughout the period, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules. The directors also confirm that the announcement of these results has been reviewed by the Company's Audit Committee. The Company confirms that it has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Hong Kong Listing Rules and that, having made specific enquiry of all directors, the directors of the Company have complied with the required standards of the adopted code of conduct throughout the period.

As previously announced, the following changes to the composition of the Board have taken place since 31 December 2021. On 30 April 2022, Naguib Kheraj, Deputy Chairman, Chair of the Board Risk Committee (BRC) and member of the Governance and Nomination Committee, retired from the Board. Phil Rivett was appointed as interim Chair of the BRC with effect from 1 May 2022, pending the appointment of Maria Ramos as Chair of the BRC receiving regulatory approval. Shirish Apte was appointed to the Board as an Independent Non-Executive Director (INED) and a member of each of the Audit Committee and BRC on 4 May 2022. Robin Lawther was appointed to the Board as an INED and a member of each of the BRC and Remuneration Committee on 1 July 2022. Biographies for each of the directors and a list of the committees' membership can be found at sc.com.

Given the progress made on the Board Financial Crime Risk Committee's (BFCRC) purpose with respect to financial crime risk management, the BFCRC ceased to be a standalone Board Committee with effect from 1 April 2022. Its remit was reallocated to a combination of the BRC, the Audit Committee and the Board. This enables a more holistic and efficient examination and discussion of risk as fraud, information and cyber security and financial crime are closely linked, as these areas are currently discussed in different meetings of the Board and its Committees. Gay Huey Evans, CBE; David Conner; Christine Hodgson, CBE; Naguib Kheraj and Carlson Tong stepped down from their respective roles on the BFCRC. With the exception of Naguib Kheraj, who retired from the Group on 30 April 2022, all former BFCRC members have continued to perform their other Board and Board Committee roles. The two BFCRC external advisors, Sir Iain Lobban and Boon Hui Khoo, have agreed to remain at the disposal of the BRC and Audit Committee for a further year.

In compliance with Rule 13.51B(1) of the Hong Kong Listing Rules, the Company confirms that, Gay Huey Evans, CBE, INED, was appointed to the board of S&P Global as a non-executive director and member of its Audit Committee on 28 February 2022, and resigned as an independent director of IHS Markit on the same date. On 25 May 2022, Carlson Tong, INED, was appointed to the board of MTR Corporation Limited, a company listed on the Hong Kong Stock Exchange, as an INED, Chairman of its Audit & Risk Committee and a member of its Finance and Investment Committee. Byron Grote, INED, retired from Anglo American plc on 19 April 2022 and was appointed to the board of InterContinental Hotels Group PLC as a non-executive director and member of its Audit and Remuneration Committees, with effect from 1 July 2022.

30. Statutory accounts

The information in this Half Year Report is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. This document was approved by the Board on 29 July 2022. The statutory accounts for the year ended 31 December 2021 have been audited and delivered to the Registrar of Companies in England and Wales. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under sections 498(2) and 498(3) of the Companies Act 2006.

31. Cash flow note

Adjustment for non-cash items and other adjustments included within income statement

	30.06.22 $million	30.06.21 $million
Amortisation of discounts and premium of investment securities	195	46
Interest expense on subordinated liabilities	247	246
Interest expense on senior debt securities in issue	283	259
Other non-cash items	16	(84)
Pension costs for defined benefit schemes	29	35
Share-based payment costs	122	99
Impairment losses on loans and advances and other Credit Risk provisions	263	(51)
Other impairment	15	40
Gain on disposal of property, plant and equipment	(32)	(34)
Gain on disposal of FVOCI and AMCST financial assets	(14)	(161)
Depreciation and amortisation	592	596
Fair value changes taken to income statement	(199)	(7)
Foreign currency revaluation	(666)	(250)
Loss on derecognition of investment in associate	2	–
Profit from associates and joint ventures	(153)	(141)
Total	**700**	593

Change in operating assets

	30.06.22 $million	30.06.21 $million
(Increase)/decrease in derivative financial instruments	(25,182)	16,982
Net decrease/(increase) in debt securities, treasury bills and equity shares held at fair value through profit or loss	7,861	(17)
Decrease/(increase) in loans and advances to banks and customers	5,139	(20,881)
Net (increase) in prepayments and accrued income	(244)	(118)
Net (increase) in other assets	(11,859)	(2,997)
Total	**(24,285)**	(7,031)

Change in operating liabilities

	30.06.22 $million	30.06.21 $million
Increase/(decrease) in derivative financial instruments	23,620	(19,161)
Net (decrease)/increase in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	(14,783)	13,528
Net decrease in accruals and deferred income	(353)	(381)
Net increase in other liabilities	17,558	11,417
Total	**26,042**	5,403

In H1 2021, $416 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 H1 2022, $486 million of additions to internally generated capitalised software are included in cash flows from investing activities as a separate line item. The H1 2021 comparative cash flow statement has been adjusted for this change in classification.

31. Cash flow note continued

Disclosures

	30.06.22 $million	30.06.21 $million
Subordinated debt (including accrued interest):		
Opening balance	16,885	16,892
Proceeds from the issue	750	1,186
Interest paid	(310)	(293)
Repayment	(1,048)	(530)
Foreign exchange movements	(401)	(69)
Fair value changes	(1,018)	(282)
Accrued Interest and Others	320	313
Closing balance	15,178	17,217
Senior debt (including accrued interest):		
Opening balance	29,904	29,989
Proceeds from the issue	6,511	8,276
Interest paid	(487)	(366)
Repayment	(3,618)	(4,865)
Foreign exchange movements	(881)	(316)
Fair value changes	(804)	(248)
Accrued Interest and Others	521	369
Closing balance	31,146	32,839

Supplementary financial information

1. Average balance sheets and yields

The following tables set out the average balances and yields for the Group's assets and liabilities for the periods ended 30 June 2022, 31 December 2021 and 30 June 2021. For the purpose of these tables, average balances have been determined on the basis of daily balances, except for certain categories, for which balances have been determined less frequently. The Group does not believe that the information presented in these tables would be significantly different had such balances been determined on a daily basis.

Average assets

	6 months ended 30.06.22				
	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	**23,650**	**55,603**	**146**	**0.53**	**0.37**
Gross loans and advances to banks	**28,854**	**41,945**	**326**	**1.57**	**0.93**
Gross loans and advances to customers	**62,985**	**305,280**	**4,027**	**2.66**	**2.21**
Impairment provisions against loans and advances to banks and customers	**–**	**(5,496)**	**–**	**–**	**–**
Investment securities	**32,943**	**168,003**	**1,286**	**1.54**	**1.29**
Property, plant and equipment and intangible assets	**8,727**	**–**	**–**	**–**	**–**
Prepayments, accrued income and other assets	**130,842**	**–**	**–**	**–**	**–**
Investment associates and joint ventures	**2,196**	**–**	**–**	**–**	**–**
Total average assets	**290,197**	**565,335**	**5,785**	**2.06**	**1.36**

	6 months ended 31.12.21				
	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	24,043	55,517	50	0.18	0.12
Gross loans and advances to banks	21,869	45,294	243	1.06	0.72
Gross loans and advances to customers	59,776	309,765	3,796	2.43	2.04
Impairment provisions against loans and advances to banks and customers	–	(5,582)	–	–	–
Investment securities	32,884	156,571	1,037	1.31	1.09
Property, plant and equipment and intangible assets	8,779	–	–	–	–
Prepayments, accrued income and other assets	109,490	–	–	–	–
Investment associates and joint ventures	2,392	–	–	–	–
Total average assets	259,234	561,565	5,126	1.81	1.24

	6 months ended 30.06.21				
	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	23,174	56,473	42	0.15	0.11
Gross loans and advances to banks	22,809	46,623	247	1.07	0.72
Gross loans and advances to customers	53,335	305,302	3,780	2.50	2.13
Impairment provisions against loans and advances to banks and customers	–	(6,451)	–	–	–
Investment securities	31,605	155,268	1,053	1.37	1.14
Property, plant and equipment and intangible assets	8,960	–	–	–	–
Prepayments, accrued income and other assets	113,672	–	–	–	–
Investment associates and joint ventures	2,267	–	–	–	–
Total average assets	255,822	557,215	5,122	1.85	1.27

1. Average balance sheets and yields continued
Average liabilities

	6 months ended 30.06.22				
	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid interest bearing balance %	Rate paid total balance %
Deposits by banks	18,293	29,193	92	0.64	0.39
Customer accounts:					
Current accounts and savings deposits	54,567	270,071	584	0.44	0.36
Time and other deposits	63,898	149,866	854	1.15	0.81
Debt securities in issue	6,228	61,288	347	1.14	1.04
Accruals, deferred income and other liabilities	132,958	1,127	23	4.12	0.03
Subordinated liabilities and other borrowed funds	–	15,559	247	3.20	3.20
Non-controlling interests	340	–	–	–	–
Shareholders' funds	49,493	–	–	–	–
	325,777	527,104	2,147	0.82	0.51
Adjustment for Financial Markets funding costs			(106)		
Financial guarantee fees on interest earning assets			47		
Total average liabilities and shareholders' funds	325,777	527,104	2,088	0.80	0.49

	6 months ended 31.12.21				
	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid interest bearing balance %	Rate paid total balance %
Deposits by banks	19,731	28,218	62	0.44	0.26
Customer accounts:					
Current accounts and savings deposits	53,310	267,231	460	0.34	0.28
Time and other deposits	55,727	147,441	615	0.83	0.60
Debt securities in issue	6,450	57,003	282	0.98	0.88
Accruals, deferred income and other liabilities	112,614	1,206	26	4.28	0.05
Subordinated liabilities and other borrowed funds	–	16,666	251	2.99	2.99
Non-controlling interests	356	–	–	–	–
Shareholders' funds	51,533	–	–	–	–
	299,722	517,766	1,696	0.65	0.41
Adjustment for Financial Markets funding costs			(97)		
Financial guarantee fees on interest earning assets			156		
Total average liabilities and shareholders' funds	299,722	517,766	1,755	0.67	0.43

1. Average balance sheets and yields continued

	6 months ended 30.06.21				
	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid interest bearing balance %	Rate paid total balance %
Deposits by banks	17,261	26,599	74	0.56	0.34
Customer accounts:					
Current accounts and savings deposits	48,934	257,233	388	0.30	0.26
Time and other deposits	53,606	151,262	733	0.98	0.72
Debt securities in issue	6,129	61,232	284	0.94	0.85
Accruals, deferred income and other liabilities	118,293	1,093	27	4.98	0.05
Subordinated liabilities and other borrowed funds	–	16,386	246	3.03	3.03
Non-controlling interests[1]	328	–	–	–	–
Shareholders' funds	51,088	–	–	–	–
	295,639	513,805	1,752	0.69	0.44
Adjustment for Financial Markets funding costs			(52)		
Financial guarantee fees on interest earning assets			47		
Total average liabilities and shareholders' funds	295,639	513,805	1,747	0.69	0.44

A. Our Fair Pay Charter

Our Fair Pay Charter, introduced in 2018, sets out the principles we use to make remuneration decisions across the Group that are fair, transparent and competitive in order to support us in embedding a performance oriented, inclusive and innovative culture and in delivering a differentiated employee experience. Our Fair Pay Charter principles are set out in the Group's 2021 Annual Report together with a summary of our progress in implementing these across the Group, and our third external Fair Pay Report, published in February 2022, is available on our Group website.

B. Group share plans

Discretionary share plans

The Group has two discretionary share plans: the 2011 Standard Chartered Share Plan, approved by shareholders in May 2011, and the 2021 Standard Chartered Share Plan, approved by shareholders in May 2021. Awards made in 2022 were granted under the 2021 Standard Chartered Share Plan. The discretionary share plans are used to deliver various types of share awards:

- Long-term incentive plan (LTIP) awards: granted with vesting subject to performance measures. Performance measures attached to awards granted previously include: total shareholder return (TSR); return on equity (RoE) with a common equity tier 1 (CET1) underpin; strategic measures; earnings per share (EPS) growth; and return on risk-weighted assets (RoRWA). Each measure is assessed independently over a three-year period. Awards granted from 2016 have an individual conduct gateway requirement that results in the award lapsing if not met
- Deferred awards are used to deliver the deferred portion of variable remuneration, in line with both market practice and regulatory requirements. These awards vest in instalments on anniversaries of the award date specified at the time of grant. Deferred awards are not subject to any plan limit. This enables the Group to meet regulatory requirements relating to deferral levels, and is in line with market practice
- Restricted share awards, made outside of the annual performance process as replacement buy-out awards to new joiners who forfeit awards on leaving their previous employers, vest in instalments on the anniversaries of the award date specified at the time of grant.

This enables the Group to meet regulatory requirements relating to buy-outs, and is in line with market practice. In line with similar plans operated by our competitors, restricted share awards are not subject to an annual limit and do not have any performance measures

Under the discretionary share plans, no grant price is payable to receive an award. New awards cannot be made under the 2011 Standard Chartered Share Plan. The remaining life of the 2021 Standard Chartered Share Plan during which new awards can be made is nine years.

All Employee 2013 Sharesave Plan

The 2013 Sharesave Plan was approved by shareholders in May 2013. Under the 2013 Sharesave Plan, employees may open a savings contract. Within a maturity period of six months after the third anniversary, employees may purchase ordinary shares in the Company at a discount of up to 20 per cent on the share price at the date of invitation (this is known as the 'option exercise price'). There are no performance measures attached to options granted under the 2013 Sharesave Plan and no grant price is payable to receive an option.

In some countries in which the Group operates, it is not possible to deliver shares under the 2013 Sharesave Plan, typically due to securities laws and regulatory restrictions. In these countries, where possible, the Group offers an equivalent cash-based plan to its employees. The 2013 Sharesave Plan was approved by shareholders in May 2013 and all future Sharesave invitations are made under this plan. The remaining life of the 2013 Sharesave Plan is less than one year since it expires in May 2023.

Valuation of share awards

Details of the valuation models used in determining the fair values of share awards granted under the Group's share plans are detailed in the Group's 2021 Annual Report.

Reconciliation of share award movements for the period to 30 June 2022

	LTIP[1]	Deferred/ Restricted shares[1]	Sharesave	Weighted average Sharesave exercise price (£)
Outstanding at 1 January 2022	11,627,751	39,718,654	16,897,075	3.95
Granted[2]	3,063,815	24,095,928	–	–
Lapsed	(2,418,663)	(322,775)	(1,866,289)	4.42
Exercised	(405,209)	(15,507,237)	(1,383,500)	5.11
Outstanding at 30 June 2022	11,867,694	47,984,570	13,647,286	3.77
Exercisable as at 30 June 2022	–	1,446,976	57,966	3.94
Range of exercise prices (£)[3,4]	–	–	3.14 – 5.13	
Intrinsic value of vested but not exercised options ($ million)	0.00	10.88	0.16	
Weighted average contractual remaining life (years)	8.31	8.64	1.96	
Weighted average closing price of shares immediately before the dates on which options were exercised	N/A	5.43	4.63	

1 Employees do not contribute towards the cost of these awards, which are covered under the rules of the 2011 Standard Chartered Share Plan for grants prior to May 2021, and under the rules of the 2021 Standard Chartered Share Plan for grants from June 2021

2 23,434,127 (DRSA/RSA) granted on 14 March 2022, 77,479 (deferred / restricted shares) granted as notional dividend on 01 March 2022, 3,048,826 (LTIP) granted on 14 March 2022, 14,989 (LTIP) granted as notional dividend on 01 March 2022, 584,322 (deferred / restricted shares) granted on 20 June 2022

3 No discretionary awards (LTIP or deferred / restricted shares) have been granted in the form of options since June 2015. For historic awards granted as options and exercised in the period to 30 June 2022, the exercise price of deferred / restricted shares options was nil

4 All Sharesave awards are in the form of options. The exercise price of Sharesave options exercised was £3.67 for options granted in 2021, £3.14 for options granted in 2020, £4.98 for options granted in 2019 and £5.13 for options granted in 2018

5 No options were cancelled in the period

C. Group Chairman and independent non-executive directors' interests in ordinary shares as at 30 June 2022[1,2]

	Shares beneficially held as at 31 December 2021	Shares beneficially held as at 30 June 2022
Group Chairman		
J Viñals	30,000	30,000
Independent non-executive directors		
S M Apte[3]	–	2,000
D P Conner	10,000	10,000
B E Grote	90,041	90,041
C Hodgson, CBE	2,571	2,571
G Huey Evans, CBE	2,615	2,615
N Kheraj[4]	150,571	–
M Ramos	2,000	2,000
P G Rivett	2,128	2,128
D Tang	2,000	2,000
C Tong	2,000	2,000
J M Whitbread	3,615	3,615

1. Directors are required to hold shares with a nominal value of $1,000. All the directors have met this requirement

2. The beneficial interests of directors and their related parties in the ordinary shares of the Company are set out above. The directors do not have any non-beneficial interests in the Company's shares. None of the directors used ordinary shares as collateral for any loans. No director had either i) an interest in the Company's preference shares or loan stocks of any subsidiary or associated undertaking of the Group or ii) any corporate interests in the Company's ordinary shares. All figures as at 30 June 2022

3. Shirish Apte was appointed to the Board on 4 May 2022

4. Naguib Kheraj retired from the Board on 30 April 2022

D. Executive directors' interests in ordinary shares as at 30 June 2022

Scheme interests awarded, exercised and lapsed during the period

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	Post-vest regulatory retention period[2]	Performance outcome
2016-18	33% – RoE 33% – TSR 33% – Strategic	Yes	5	50% tranche 1 12.5% tranches 2-5	6 months on 50% of the award	27%
2017-19		Yes	5	5 equal tranches	6 months on 50% of the award	38%
2018-20		No	5		12 months	26%
2019-21	33% – RoTE 33% – TSR 33% – Strategic	No	5		12 months	23%
2020-22		No	5		12 months	To be assessed at end of 2022
2021-23	30% – RoTE 30% – TSR 15% – Sustainability 25% – Strategic	No	5		12 months	To be assessed at end of 2023
2022-24	30% – RoTE 30% – TSR 15% – Sustainability 25% – Strategic	No	5		12 months	To be assessed at end of 2024

5. 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

6. As executive directors are material risk takers, regulatory retention periods apply to net shares delivered. The requirements changed over the years. Where the retention was not required on the entire award this was because the total share-linked remuneration for the executive directors in the relevant performance years exceeded the regulatory requirement for share-linked remuneration.

The following table shows the changes in share interests.

	Share award price (£)	As of 1 January	Changes in interests during the period 1 January to 30 June 2022						
			Awarded[1]	Dividends awarded[2]	Vested[3]	Lapsed	As of 30 June	Performance period end	Vesting date
B Winters									
2016-18 LTIP	5.560	33,506	–	2,517	36,023	–	–	11 Mar 2019	4 May 2022
		33,507	–	–	–	–	33,507		4 May 2023
2017-19 LTIP	7.450	45,049	–	3,380	48,428	–	–	13 Mar 2020	13 Mar 2022
		45,049	–	–	–	–	45,049		13 Mar 2023
		45,049	–	–	–	–	45,049		13 Mar 2024
2018-20 LTIP	7.782	28,178	–	–	28,178	–	–	9 Mar 2021	9 Mar 2022
		28,178	–	–	–	–	28,178		9 Mar 2023
		28,178	–	–	–	–	28,178		9 Mar 2024
		28,179	–	–	–	–	28,179		9 Mar 2025
2019-21 LTIP	6.105	133,065	–	–	30,604	102,461	–	11 Mar 2022	11 Mar 2022
		133,065	–	–	–	102,461	30,604		11 Mar 2023
		133,065	–	–	–	102,461	30,604		11 Mar 2024
		133,065	–	–	–	102,461	30,604		11 Mar 2025
		133,067	–	–	–	102,462	30,605		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
2022-24 LTIP	4.876	–	151,386	–	–	–	151,386	14 Mar 2025	14 Mar 2026
		–	151,386	–	–	–	151,386		14 Mar 2027
		–	151,386	–	–	–	151,386		14 Mar 2028
		–	151,386	–	–	–	151,386		14 Mar 2029
		–	151,388	–	–	–	151,388		14 Mar 2030
A Halford									
2016-18 LTIP	5.560	20,008	–	1,502	21,510	–	–	11 Mar 2019	4 May 2022
		20,009	–	–	–	–	20,009		4 May 2023
2017-19 LTIP	7.450	27,888	–	2,094	29,982	–	–	13 Mar 2020	13 Mar 2022
		27,888	–	–	–	–	27,888		13 Mar 2023
		27,890	–	–	–	–	27,890		13 Mar 2024
2018-20 LTIP	7.782	17,448	–	–	17,448	–	–	9 Mar 2021	9 Mar 2022
		17,448	–	–	–	–	17,448		9 Mar 2023
		17,448	–	–	–	–	17,448		9 Mar 2024
		17,448	–	–	–	–	17,448		9 Mar 2025
2019-21 LTIP	6.105	85,094	–	–	19,571	65,523	–	11 Mar 2022	11 Mar 2022
		85,094	–	–	–	65,523	19,571		11 Mar 2023
		85,094	–	–	–	65,523	19,571		11 Mar 2024
		85,094	–	–	–	65,523	19,571		11 Mar 2025
		85,096	–	–	–	65,524	19,572		11 Mar 2026

	Share award price (£)	As of 1 January	Changes in interests during the period 1 January to 30 June 2022				As of 30 June	Performance period end	Vesting date
			Awarded[1]	Dividends awarded[2]	Vested[3]	Lapsed			
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
2022-24 LTIP	4.876	–	96,772	–	–	–	96,772	14 Mar 2025	14 Mar 2026
		–	96,772	–	–	–	96,772		14 Mar 2027
		–	96,772	–	–	–	96,772		14 Mar 2028
		–	96,772	–	–	–	96,772		14 Mar 2029
		–	96,773	–	–	–	96,773		14 Mar 2030
Sharesave	4.980	1,807	–	–	–	–	1,807	–	1 Dec 2022

1. For the 2022-24 LTIP awards granted to Bill Winters and Andy Halford on 14 March 2022, 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 2022-24 LTIP awards. The closing price on the day before grant was £4.876.
2. Dividend equivalent shares may be awarded on vesting for awards granted prior to 1 January 2018. 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. Dividend equivalent shares allocated to the 2016-18 LTIP and 2017-19 awards vesting in 2022 did not include any shares relating to the cancelled dividend.
3. On 10 March 2022, 28,178 shares (before tax) were delivered to Bill Winters from the vesting element of the 2018-20 LTIP award and 17,448 shares (before tax) were delivered to Andy Halford from the vesting element of the 2018-20 LTIP award. The closing share price on the day before the shares were delivered was £4.931. On 14 March 2022, 48,428 shares (before tax) were delivered to Bill Winters from the vesting element of the 2017-19 LTIP award and 29,982 shares (before tax) were delivered to Andy Halford from the vesting element of the 2017-19 LTIP award. The closing share price on the day before the shares were delivered was £4.876. On 21 March 2022, 30,604 shares (before tax) were delivered to Bill Winters from the vesting element of the 2019-21 LTIP award and 19,571 shares (before tax) were delivered to Andy Halford from the vesting element of the 2019-21 LTIP award. The closing share price on the day before the delivery was £5.064. On 6 May 2022, Bill Winters 36,023 shares (before tax) were delivered to Bill Winters from the vesting element of the 2016-18 LTIP award and 21,510 shares (before tax) were delivered to Andy Halford from the vesting element of the 2016-18 LTIP award. The closing share price on the day before the delivery was £5.65.
4. The unvested LTIP awards held by Bill Winters and Andy Halford are conditional rights. They do not have to pay towards these awards. Under these awards, shares are delivered on vesting or as soon as practicable thereafter.
5. The unvested Sharesave option held by Andy Halford is an option granted on 1 October 2019 under the 2013 Plan – to exercise this option, Andy has to pay an exercise price of £4.98 per share, which has been discounted by 20 per cent

As at 30 June 2022, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Shareholdings and share interests

The following table summarises the executive directors' shareholdings and share interests.

	Shares held beneficially[1,2,3]	Unvested share awards not subject to performance measures (net of tax)[4]	Total shares counting towards shareholding requirement	Shareholding requirement	Salary[2]	Value of shares counting towards shareholding requirement as a percentage of salary[1]	Unvested share awards subject to performance measures (before tax)
B Winters	2,309,799	171,064	2,480,863	250% salary	£2,434,000	631%	2,315,512
A Halford	985,216	108,627	1,093,843	200% salary	£1,556,000	435%	1,465,157

1. All figures are as of 30 June 2022 unless stated otherwise. The closing share price on 30 June 2022 was £6.186. No director had either: (i) an interest in Standard Chartered PLC's preference shares or loan stocks of any subsidiary or associated undertaking of the Group; or (ii) any corporate interested in Standard Chartered PLC's ordinary shares
2. The beneficial interests of directors and connected persons in the ordinary shares of the Company are set out above. The executive directors so not have any non-beneficial interest in the Company's shares. Neither of the executive directors used ordinary shares as collateral for any loans
3. The salary and shares held beneficially include shares awarded to deliver the executive directors' salary shares
4. 23 per cent of the 2019-21 LTIP award is no longer subject to performance measures due to achievement against 2019-21 strategic measures
5. 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 48.25 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 social security contributions at 3.25 per cent) – rates may change

E. Share price information

The middle market price of an ordinary share at the close of business on 30 June 2022 was 618.6 pence. The share price range during the first half of 2022 was 450.4 pence to 638.6 pence (based on the closing middle market prices).

F. Substantial shareholders

The Company and its shareholders have been granted partial exemption from the disclosure requirements under Part XV of the Securities and Futures Ordinance (SFO). As a result of this exemption, shareholders no longer have an obligation under Part XV of the SFO (other than Divisions 5, 11 and 12 thereof) to notify the Company of substantial shareholding interests, and the Company is no longer required to maintain a register of interests of substantial shareholders under section 336 of the SFO. The Company is, however, required to file with The Stock Exchange of Hong Kong Limited any disclosure of interests made in the UK.

G. Code for Financial Reporting Disclosure

The UK Finance Code for Financial Reporting Disclosure sets out five disclosure principles together with supporting guidance. The principles are that UK banks will: provide high-quality, meaningful and decision useful disclosures; review and enhance their financial instrument disclosures for key areas of interest; assess the applicability and relevance of good practice recommendations to their disclosures, acknowledging the importance of such guidance; seek to enhance the comparability of financial statement disclosures across the UK banking sector; and clearly differentiate in their annual reports between information that is audited and information that is unaudited.

The Group's interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with the Code's principles.

H. Employees

The details regarding our remuneration policies, bonus schemes and training schemes have not materially changed from our 2021 Annual Report and Accounts and we will be updating on these in our 2022 Annual Report.

Shareholder information

Dividend and interest payment dates

Ordinary shares	2022 interim dividend (cash only)
Results and dividend announced	29 July 2022
Ex-dividend date	11 (UK) 10 (HK) August 2022
Record date	12 August 2022
Last date to amend currency election instructions for cash dividend*	19 September 2022
Dividend payment date	14 October 2022

* in either US dollars, sterling, or Hong Kong dollars

	2022 final dividend (provisional only)
Results and dividend announcement date	16 February 2023

Preference shares	Second half-yearly dividend
7 3/8 per cent Non-Cumulative Irredeemable preference shares of £1 each	1 October 2022
8 ¼ per cent Non-Cumulative Irredeemable preference shares of £1 each	1 October 2022
6.409 per cent Non-Cumulative preference shares of $5 each	30 July 2022, 30 October 2022
7.014 per cent Non-Cumulative preference shares of $5 each	30 July 2022

Previous dividend payments (unadjusted for the impact of the 2015/2010/2008 rights issues)

Dividend and financial year	**Payment date**	**Dividend per ordinary share**	**Cost of one new ordinary share under share dividend scheme**
Interim 2008	9 October 2008	25.67c/13.96133p/HK$1.995046	£14.00/$26.0148
Final 2008	15 May 2009	42.32c/28.4693p/HK$3.279597	£8.342/$11.7405
Interim 2009	8 October 2009	21.23c/13.25177p/HK$1.645304	£13.876/$22.799
Final 2009	13 May 2010	44.80c/29.54233p/HK$3.478306	£17.351/$26.252
Interim 2010	5 October 2010	23.35c/14.71618p/HK$1.811274/INR0.984124[1]	£17.394/$27.190
Final 2010	11 May 2011	46.65c/28.272513p/HK$3.623404/INR1.9975170[1]	£15.994/$25.649
Interim 2011	7 October 2011	24.75c/15.81958125p/HK$1.928909813/INR1.13797125[1]	£14.127/$23.140
Final 2011	15 May 2012	51.25c/31.63032125p/HK$3.9776083375/INR2.6667015[1]	£15.723/$24.634
Interim 2012	11 October 2012	27.23c/16.799630190p/HK$2.111362463/INR1.349803950[1]	£13.417/$21.041
Final 2012	14 May 2013	56.77c/36.5649893p/HK$4.4048756997/INR2.976283575[1]	£17.40/$26.28792
Interim 2013	17 October 2013	28.80c/17.8880256p/HK$2.233204992/INR1.6813[1]	£15.362/$24.07379
Final 2013	14 May 2014	57.20c/33.9211444p/HK$4.43464736/INR3.354626[1]	£11.949/$19.815
Interim 2014	20 October 2014	28.80c/17.891107200p/HK$2.2340016000/INR1.671842560[1]	£12.151/$20.207
Final 2014	14 May 2015	57.20c/37.16485p/HK$4.43329/INR3.514059[1]	£9.797/$14.374
Interim 2015	19 October 2015	14.40c/9.3979152p/HK$1.115985456/INR0.86139372[1]	£8.5226/$13.34383
Final 2015	No dividend declared	N/A	N/A
Interim 2016	No dividend declared	N/A	N/A
Final 2016	No dividend declared	N/A	N/A
Interim 2017	No dividend declared	N/A	N/A
Final 2017	17 May 2018	11.00c/7.88046p/HK$0.86293/INR0.653643340[1]	£7.7600/$10.83451
Interim 2018	22 October 2018	6.00c/4.59747p/HK$0.46978/INR0.3696175[1]	£6.7104/$8.51952
Final 2018	16 May 2019	15.00c/11.569905p/HK$1.176260/INR0.957691650[1]	N/A
Interim 2019	21 October 2019	7.00c/5.676776p/HK$0.548723/INR0.425028600[1]	N/A
Final 2019	Dividend withdrawn	N/A	N/A
Interim 2020	No dividend declared	N/A	N/A
Final 2020	25 February 2021	9.00c/6.472413p/HK$0.698501	N/A
Interim 2021	22 October 2021	3.00c/2.204877p/HK$0.233592	N/A
Final 2021	12 May 2022	9.00c/6.894144p/HK$0.705772	N/A

1 The INR dividend was 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

Further details regarding dividends can be found on our website at sc.com/shareholders

ShareCare

ShareCare is available to shareholders on the Company's UK register who have a UK address and bank account. It allows you to hold your Standard Chartered PLC shares in a nominee account. Your shares will be held in electronic form so you will no longer have to worry about keeping your share certificates safe. If you join ShareCare, you will still be invited to attend the Company's AGM and you will receive any dividend paid at the same time as everyone else. ShareCare is free to join and there are no annual fees to pay. If you would like to receive more information, please contact the shareholder helpline on 0370 702 0138.

Donating shares to ShareGift

Shareholders who have a small number of shares often find it uneconomical to sell them. An alternative is to consider donating them to the charity ShareGift (registered charity 1052686), which collects donations of unwanted shares until there are enough to sell and uses the proceeds to support UK charities. There is no implication for capital gains tax (no gain or loss) when you donate shares to charity, and UK taxpayers may be able to claim income tax relief on the value of their donation. Further information can be obtained from the Company's registrars or from ShareGift on 020 7930 3737 or from sharegift.org.

Bankers' Automated Clearing System (BACS)

Dividends can be paid straight into your bank or building society account. Please register online at investorcentre.co.uk or contact our registrar for a mandate form.

Registrars and shareholder enquiries

If you have any enquiries relating to your shareholding and you hold your shares on the UK register, please contact our registrar Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ or call the shareholder helpline number on 0370 702 0138.

If you hold your shares on the Hong Kong branch register and you have enquiries, please contact Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. You can check your shareholding at: computershare.com/hk/en.

Chinese translation

If you would like a Chinese version of this Half Year Report, please contact: Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

本半年報告之中文譯本可向香港中央證券登記有限公司索取，地址：香港灣仔皇后大道東183號合和中心17M樓。

Shareholders on the Hong Kong branch register who have asked to receive corporate communications in either Chinese or English can change this election by contacting Computershare. If there is a dispute between any translation and the English version of this Half Year Report, the English text shall prevail.

Electronic communications

If you hold your shares on the UK register and in future you would like to receive the Half Year Report electronically rather than by post, please register online at: investorcentre.co.uk. Then click on 'register' and follow the instructions. You will need to have your Shareholder or ShareCare reference number when you log on. You can find this on your share certificate or ShareCare statement. Once registered, you can also submit your proxy vote and dividend election electronically and change your bank mandate or address information.

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. This disclaimer does not apply to the Group's condensed consolidated interim financial statements and notes as set out in Note 1 – Statement of compliance.

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 28 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.

Capital-lite income
Income derived from products with low RWA consumption or products which are non-funding in nature.

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 into the PRA Rulebook on 1 January 2022.

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.

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.

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.

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.

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.

Exposures
Credit exposures represent the amount lent to a customer, together with any undrawn commitments.

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
Environmental, 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 Financial Stability Board (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 ESG. This has been developed with the support of external experts, has been informed by industry and supervisory principles and standards such as the Green Bond Principles and EU Taxonomy for sustainable activities.

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.

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.

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.

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 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'.

LGD or Loss given default
The percentage of an exposure that a lender expects to lose in the event of obligor default.

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.

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 commitment to 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 a bad economic environment could have a larger impact on ECL calculation than a good economic environment.

Normalised items
See ‘Underlying/Normalised’ on page 34.

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 per cent 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 that are not already covered by Pillar 1 and to determine the appropriate amounts of capital to be held against these risks where other suitable mitigants are not available.

Pillar 3
The third pillar of the three pillars of the Basel framework which aims to provide a consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk practices.

Priority Banking
Priority Banking customers are individuals who have met certain criteria for deposits, AUM, mortgage loans or monthly payroll. Criteria varies by country.

Private equity investments
Equity securities in operating companies generally not quoted on a public exchange. Investment in private equity often involves the investment of capital in private companies. Capital for private equity investment is raised by retail or institutional investors and used to fund investment strategies such as leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.

PD or Probability of default
PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation over a given time horizon.

Probability weighted
Obtained by considering the values the metric can assume, weighted by the probability of each value occurring.

Profit (loss) attributable to ordinary shareholders
Profit (loss) for the year after non-controlling interests and dividends declared in respect of preference shares classified as equity.

PVA or Prudent valuation adjustment
An adjustment to CET1 capital to reflect the difference between fair value and prudent value positions, where the application of prudence results in a lower absolute carrying value than recognised in the financial statements.

PRA or Prudential Regulation Authority
The Prudential Regulation Authority is the statutory body responsible for the prudential supervision of banks, building societies, credit unions, insurers and a small number of significant investment firms in the UK. The PRA is a part of the Bank of England.

Regulatory or Prudential consolidation
The regulatory consolidation of Standard Chartered PLC differs from the statutory consolidation in that it only includes undertakings that are credit institutions, investment firms, other financial institutions, and ancillary service undertakings. Subsidiaries continue to be fully consolidated, whilst participations in undertakings that principally engage in these financial services activities are proportionally consolidated. These participations are considered associates for statutory accounting purposes. Insurance or corporate entities are excluded from the scope of prudential consolidation and recognised on an equity accounted basis.

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'.

Revenue-based carbon intensity
A measurement of the quantity of greenhouse gases emitted by our clients per USD of their revenue.

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. Sovereign exposures, as defined by the European Banking Authority, include only exposures to central governments.

Stage 1
Assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months expected credit losses.

Stage 2
Assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

Stage 3
Assets that are in default and considered credit-impaired (non-performing loans).

Standardised approach
In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.

Structured note
An investment tool which pays a return linked to the value or level of a specified asset or index and sometimes offers capital protection if the value declines. Structured notes can be linked to equities, interest rates, funds, commodities and foreign currency.

Subordinated liabilities
Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.

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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