

# Consolidated income statement

For the year ended 31 December 2020

	Notes	2020 \$million	2019 \$million
Interest income		12,292	16,549
Interest expense		(5,440)	(8,882)
<b>Net interest income</b>	3	<b>6,852</b>	7,667
Fees and commission income		3,865	4,111
Fees and commission expense		(705)	(589)
<b>Net fee and commission income</b>	4	<b>3,160</b>	3,522
Net trading income	5	3,672	3,350
Other operating income	6	1,070	878
<b>Operating income</b>		<b>14,754</b>	15,417
Staff costs		(6,886)	(7,122)
Premises costs		(412)	(420)
General administrative expenses		(1,831)	(2,211)
Depreciation and amortisation		(1,251)	(1,180)
<b>Operating expenses</b>	7	<b>(10,380)</b>	(10,933)
<b>Operating profit before impairment losses and taxation</b>		<b>4,374</b>	4,484
Credit impairment	8	(2,325)	(908)
Goodwill, property, plant and equipment and other impairment	9	(587)	(163)
Profit from associates and joint ventures	32	151	300
<b>Profit before taxation</b>		<b>1,613</b>	3,713
Taxation	10	(862)	(1,373)
<b>Profit for the year</b>		<b>751</b>	2,340
<b>Profit attributable to:</b>			
Non-controlling interests	29	27	37
Parent company shareholders		724	2,303
<b>Profit for the year</b>		<b>751</b>	2,340
		<b>cents</b>	cents
<b>Earnings per share:</b>			
Basic earnings per ordinary share	12	10.4	57.0
Diluted earnings per ordinary share	12	10.3	56.4

The notes on pages 304 to 425 form an integral part of these financial statements.

# Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Notes	2020 \$million	2019 \$million
<b>Profit for the year</b>		<b>751</b>	2,340
<b>Other comprehensive income/(loss)</b>			
<b>Items that will not be reclassified to income statement:</b>		<b>(9)</b>	(531)
Own credit losses on financial liabilities designated at fair value through profit or loss		<b>(55)</b>	(462)
Equity instruments at fair value through other comprehensive income		<b>62</b>	13
Actuarial gains/(losses) on retirement benefit obligations	30	<b>1</b>	(124)
Taxation relating to components of other comprehensive income	10	<b>(17)</b>	42
<b>Items that may be reclassified subsequently to income statement:</b>		<b>922</b>	131
Exchange differences on translation of foreign operations:			
Net gains/(losses) taken to equity		<b>657</b>	(386)
Net (losses)/gains on net investment hedges		<b>(287)</b>	191
Reclassified to income statement on sale of joint venture		<b>246</b>	-
Share of other comprehensive (loss)/income from associates and joint ventures		<b>(37)</b>	25
Debt instruments at fair value through other comprehensive income:			
Net valuation gains taken to equity		<b>815</b>	555
Reclassified to income statement		<b>(431)</b>	(170)
Net impact of expected credit losses		<b>21</b>	7
Cash flow hedges:			
Net losses taken to equity		<b>(25)</b>	(64)
Reclassified to income statement	14	<b>17</b>	21
Taxation relating to components of other comprehensive income	10	<b>(54)</b>	(48)
<b>Other comprehensive income/(loss) for the year, net of taxation</b>		<b>913</b>	(400)
<b>Total comprehensive income for the year</b>		<b>1,664</b>	1,940
<b>Total comprehensive income attributable to:</b>			
Non-controlling interests	29	<b>15</b>	20
Parent company shareholders		<b>1,649</b>	1,920
<b>Total comprehensive income for the year</b>		<b>1,664</b>	1,940

# Consolidated balance sheet

As at 31 December 2020

	Notes	2020 \$million	2019 \$million
<b>Assets</b>			
Cash and balances at central banks	13, 35	66,712	52,728
Financial assets held at fair value through profit or loss	13	106,787	92,818
Derivative financial instruments	13, 14	69,467	47,212
Loans and advances to banks	13, 15	44,347	53,549
Loans and advances to customers	13, 15	281,699	268,523
Investment securities	13	153,315	143,731
Other assets	20	48,688	42,022
Current tax assets	10	808	539
Prepayments and accrued income		2,122	2,700
Interests in associates and joint ventures	32	2,162	1,908
Goodwill and intangible assets	17	5,063	5,290
Property, plant and equipment	18	6,515	6,220
Deferred tax assets	10	919	1,105
Assets classified as held for sale	21	446	2,053
<b>Total assets</b>		<b>789,050</b>	<b>720,398</b>
<b>Liabilities</b>			
Deposits by banks	13	30,255	28,562
Customer accounts	13	439,339	405,357
Repurchase agreements and other similar secured borrowing	13	1,903	1,935
Financial liabilities held at fair value through profit or loss	13	68,373	66,974
Derivative financial instruments	13, 14	71,533	48,484
Debt securities in issue	13, 22	55,550	53,025
Other liabilities	23	47,904	41,583
Current tax liabilities	10	660	703
Accruals and deferred income		4,546	5,369
Subordinated liabilities and other borrowed funds	13, 27	16,654	16,207
Deferred tax liabilities	10	695	611
Provisions for liabilities and charges	24	466	449
Retirement benefit obligations	30	443	469
Liabilities included in disposal groups held for sale	21	-	9
<b>Total liabilities</b>		<b>738,321</b>	<b>669,737</b>
<b>Equity</b>			
Share capital and share premium account	28	7,058	7,078
Other reserves		12,688	11,685
Retained earnings		26,140	26,072
<b>Total parent company shareholders' equity</b>		<b>45,886</b>	<b>44,835</b>
Other equity instruments	28	4,518	5,513
<b>Total equity excluding non-controlling interests</b>		<b>50,404</b>	<b>50,348</b>
Non-controlling interests	29	325	313
<b>Total equity</b>		<b>50,729</b>	<b>50,661</b>
<b>Total equity and liabilities</b>		<b>789,050</b>	<b>720,398</b>

The notes on pages 304 to 425 form an integral part of these financial statements.

These financial statements were approved by the Board of directors and authorised for issue on 25 February 2021 and signed on its behalf by:



**José Viñals**  
Chairman



**Bill Winters**  
Group Chief Executive



**Andy Halford**  
Group Chief Financial Officer

# Consolidated statement of changes in equity

For the year ended 31 December 2020

	Ordinary share capital and share premium account \$million	Preference share capital and share premium account \$million	Capital and merger reserves \$million	Own credit adjustment reserve \$million	Fair value through other comprehensive income reserve – debt \$million	Fair value through other comprehensive income reserve – equity \$million	Cash flow hedge reserve \$million	Translation reserve \$million	Retained earnings \$million	Parent company shareholders' equity \$million	Other equity instruments \$million	Non-controlling interests \$million	Total \$million
As at 1 January 2019	5,617	1,494	17,129 <sup>1</sup>	412	(161)	120	(10)	(5,612)	26,129	45,118	4,961	273	50,352
Profit for the period	-	-	-	-	-	-	-	-	2,303	2,303	-	37	2,340
Other comprehensive (loss)/income	-	-	-	(410)	358	30	(49)	(180)	(132) <sup>2</sup>	(383)	-	(17)	(400)
Distributions	-	-	-	-	-	-	-	-	-	-	-	(35)	(35)
Shares issued, net of expenses <sup>3</sup>	25	-	-	-	-	-	-	-	-	25	-	-	25
Other equity instruments issued, net of expenses	-	-	-	-	-	-	-	-	-	-	552	-	552
Treasury shares purchased	-	-	-	-	-	-	-	-	(206)	(206)	-	-	(206)
Treasury shares issued	-	-	-	-	-	-	-	-	7	7	-	-	7
Share option expense	-	-	-	-	-	-	-	-	139	139	-	-	139
Dividends on ordinary shares	-	-	-	-	-	-	-	-	(720)	(720)	-	-	(720)
Dividends on preference shares and AT1 securities	-	-	-	-	-	-	-	-	(448)	(448)	-	-	(448)
Share buy-back <sup>4</sup>	(58)	-	58	-	-	-	-	-	(1,006)	(1,006)	-	-	(1,006)
Other movements	-	-	-	-	-	-	-	-	6 <sup>5</sup>	6	-	55 <sup>6</sup>	61
<b>As at 31 December 2019</b>	<b>5,584</b>	<b>1,494</b>	<b>17,187</b>	<b>2</b>	<b>197</b>	<b>150</b>	<b>(59)</b>	<b>(5,792)</b>	<b>26,072</b>	<b>44,835</b>	<b>5,513</b>	<b>313</b>	<b>50,661</b>
Profit for the period	-	-	-	-	-	-	-	-	724	724	-	27	751
Other comprehensive (loss)/income	-	-	-	(54)	332	(2)	7	631	11 <sup>2</sup>	925	-	(12)	913
Distributions	-	-	-	-	-	-	-	-	-	-	-	(20)	(20)
Other equity instruments issued, net of expenses	-	-	-	-	-	-	-	-	-	-	992	-	992
Redemption of other equity instruments	-	-	-	-	-	-	-	-	(13)	(13)	(1,987)	-	(2,000)
Treasury shares purchased	-	-	-	-	-	-	-	-	(98)	(98)	-	-	(98)
Treasury shares issued	-	-	-	-	-	-	-	-	8	8	-	-	8
Share option expense	-	-	-	-	-	-	-	-	133	133	-	-	133
Dividends on preference shares and AT1 securities	-	-	-	-	-	-	-	-	(395)	(395)	-	-	(395)
Share buy-back <sup>7</sup>	(20)	-	20	-	-	-	-	-	(242)	(242)	-	-	(242)
Other movements	-	-	-	-	-	-	-	69	(60) <sup>8</sup>	9	-	17 <sup>9</sup>	26
<b>As at 31 December 2020</b>	<b>5,564</b>	<b>1,494</b>	<b>17,207</b>	<b>(52)</b>	<b>529</b>	<b>148</b>	<b>(52)</b>	<b>(5,092)</b>	<b>26,140</b>	<b>45,886</b>	<b>4,518</b>	<b>325</b>	<b>50,729</b>

1 Includes capital reserve of \$5 million, capital redemption reserve of \$13 million and merger reserve of \$17,111 million

2 Comprises actuarial gain, net of taxation \$11 million and nil share from associates and joint ventures (\$130 million actuarial loss and \$2 million share of loss from associates and joint ventures for the year ending 31 December 2019)

3 Comprises share capital of shares issued to fulfil discretionary awards \$1 million, share capital of shares issued to fulfil employee share save options \$1 million (nil for the year ended 31 December 2020) and share premium of shares issued to fulfil employee Sharesave options exercised \$23 million (nil for the year ended 31 December 2020)

4 On 1 May 2019, the Group commenced a share buy-back of its ordinary shares of \$0.50 each up to a maximum consideration of \$1,000 million. Nominal value of share purchases is \$58 million for the year ended 31 December 2019 and the total consideration paid was \$1,006 million which includes share buyback expenses of \$6 million. The total number of shares purchased was 116,103,483 representing 3.51 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account

5 Comprises \$10 million disposal of non-controlling interest of Phoon Huat Pte Ltd offset by \$4 million withholding tax on capitalisation of revenue reserves for Standard Chartered Bank Ghana Limited

6 Comprises \$72 million of non-controlling interest in Mox Bank Limited offset by \$17 million disposal of non-controlling interest in Phoon Huat Pte Ltd, Sirat Holdings Limited and Ori Private Limited

7 On 28 February 2020, the Group announced the buy-back programme for a share buy-back of its ordinary shares of \$0.50 each. Nominal value of share purchases was \$20 million, and the total consideration paid was \$242 million. The total number of shares purchased was 40,029,585 representing 1.25 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account. On 31 March 2020, the Group announced that, in response to a request from the Prudential Regulation Authority and as a consequence of the unprecedented challenges facing the world due to the COVID-19 pandemic, its board had decided after careful consideration to withdraw the recommendation to pay a final dividend for 2019 of 20 cents per ordinary share, and to suspend the buy-back programme

8 Includes \$69 million related to prior period adjustments to reclass FX movements from translation reserve to retained earnings (\$45 million related to FX movements of the hedging instruments for net investment hedges and \$24 million related to FX movements for monetary items, which were considered structural positions), and \$9 million increase related to revenue reserves of PT Bank Permata Tbk

9 \$17 million movement related to non-controlling interest from Mox Bank Limited

Note 28 includes a description of each reserve.

The notes on pages 304 to 425 form an integral part of these financial statements.

# Cash flow statement

For the year ended 31 December 2020

	Notes	Group		Company	
		2020 \$million	2019 \$million	2020 \$million	2019 \$million
<b>Cash flows from operating activities:</b>					
Profit before taxation		1,613	3,713	666	22,306
Adjustments for non-cash items and other adjustments included within income statement	34	4,342	2,417	19	(16,760)
Change in operating assets	34	(38,064)	(35,433) <sup>1</sup>	(8,451)	(5,473)
Change in operating liabilities	34	54,437	29,935	6,415	(4,182)
Contributions to defined benefit schemes	30	(123)	(137)	-	-
UK and overseas taxes paid	10	(971)	(1,421)	3	-
<b>Net cash from/(used in) operating activities</b>		<b>21,234</b>	<b>(926)<sup>1</sup></b>	<b>(1,348)</b>	<b>(4,109)</b>
<b>Cash flows from investing activities:</b>					
Purchase of property, plant and equipment	18	(1,270)	(518) <sup>1</sup>	-	-
Disposal of property, plant and equipment		178	566 <sup>1</sup>	-	-
Acquisition of investment in subsidiaries, associates, and joint ventures, net of cash acquired	32	(52)	-	-	-
Dividends received from subsidiaries, associates and joint ventures	32	-	3	1,110	4,494
Disposal of joint ventures, net of cash acquired		1,066	-	-	-
Purchase of investment securities		(285,026)	(259,473)	-	(7,583)
Disposal and maturity of investment securities		280,626	241,600	2,590	1,065
<b>Net cash (used in)/from investing activities</b>		<b>(4,478)</b>	<b>(17,822)</b>	<b>3,700</b>	<b>(2,024)</b>
<b>Cash flows from financing activities:</b>					
Issue of ordinary and preference share capital, net of expenses	28	-	25	-	25
Exercise of share options		8	7	8	7
Purchase of own shares		(98)	(206)	(98)	(206)
Cancellation of shares including share buy-back		(242)	(1,006)	(242)	(1,006)
Premises and equipment lease liability principal payment		(319)	(332)	-	-
Issue of AT1 capital, net of expenses	28	992	552	990	552
Redemption of Tier 1 capital	28	(2,000)	-	(2,000)	-
Gross proceeds from issue of subordinated liabilities	34	2,473	1,000	2,473	1,000
Interest paid on subordinated liabilities	34	(601)	(603)	(537)	(547)
Repayment of subordinated liabilities	34	(2,446)	(23)	(1,402)	-
Proceeds from issue of senior debts	34	9,953	9,169	2,193	6,012
Repayment of senior debts	34	(4,305)	(7,692)	(2,106)	(3,780)
Interest paid on senior debts	34	(627)	(797)	(575)	(740)
Investment from non-controlling interests		-	56	-	-
Dividends paid to non-controlling interests, preference shareholders and AT1 securities		(415)	(483)	(395)	(448)
Dividends paid to ordinary shareholders		-	(720)	-	(720)
<b>Net cash from/(used in) financing activities</b>		<b>2,373</b>	<b>(1,053)</b>	<b>(1,691)</b>	<b>149</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>19,129</b>	<b>(19,801)</b>	<b>661</b>	<b>(5,984)</b>
Cash and cash equivalents at beginning of the year		77,454	97,500	11,622	17,606
Effect of exchange rate movements on cash and cash equivalents		1,291	(245)	-	-
<b>Cash and cash equivalents at end of the year</b>	35	<b>97,874</b>	<b>77,454</b>	<b>12,283</b>	<b>11,622</b>

<sup>1</sup> Aircraft and shipping purchases and disposals re-presented as cash flows from investing activities

# Company balance sheet

For the year ended 31 December 2020

	Notes	2020 \$million	2019 \$million
<b>Non-current assets</b>			
Investments in subsidiary undertakings	32	57,407	58,037
<b>Current assets</b>			
Derivative financial instruments	39	971	229
Financial assets held at fair value through profit or loss	39	12,783	4,502
Investment securities	39	11,146	13,665
Amounts owed by subsidiary undertakings	39	12,283	11,622
Taxation		9	15
<b>Total current assets</b>		<b>37,192</b>	<b>30,033</b>
<b>Current liabilities</b>			
Derivative financial instruments	39	360	738
Amounts owed to subsidiary undertakings	39	212	26
Financial liabilities held at fair value through profit or loss	39	6,552	112
Other creditors		465	403
<b>Total current liabilities</b>		<b>7,589</b>	<b>1,279</b>
<b>Net current assets</b>		<b>29,603</b>	<b>28,754</b>
<b>Total assets less current liabilities</b>		<b>87,010</b>	<b>86,791</b>
<b>Non-current liabilities</b>			
Debt securities in issue	39	20,701	19,713
Subordinated liabilities and other borrowed funds	39	14,783	14,588
<b>Total non-current liabilities</b>		<b>35,484</b>	<b>34,301</b>
<b>Total assets less liabilities</b>		<b>51,526</b>	<b>52,490</b>
<b>Equity</b>			
Share capital and share premium account	28	7,058	7,078
Other reserves		17,178	17,177
Retained earnings		22,774	22,722
<b>Total shareholders' equity</b>		<b>47,010</b>	<b>46,977</b>
Other equity instruments	28	4,516	5,513
<b>Total equity</b>		<b>51,526</b>	<b>52,490</b>

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these financial statements. The Company profit for the period after tax is \$659 million (31 December 2019: \$22,309 million). Please see Note 39 Standard Chartered PLC (Company) for details of the group reorganisation.

The notes on pages 304 to 425 form an integral part of these financial statements.

These financial statements were approved by the Board of directors and authorised for issue on 25 February 2021 and signed on its behalf by:



**José Viñals**  
Chairman



**Bill Winters**  
Group Chief Executive



**Andy Halford**  
Group Chief Financial Officer

# Company statement of changes in equity

For the year ended 31 December 2020

	Share capital and share premium account \$million	Capital and merger reserve \$million	Own credit adjustment \$million	Cash flow hedge reserve \$million	Retained earnings \$million	Other equity instruments \$million	Total \$million
As at 1 January 2019	7,111	17,129 <sup>1</sup>	–	–	2,647	4,961	31,849
Profit for the year	–	–	–	–	22,309 <sup>2</sup>	–	22,309
Other comprehensive loss	–	–	(10)	–	–	–	(10)
Shares issued, net of expenses	25	–	–	–	–	–	25
Other equity instruments issued, net of expenses	–	–	–	–	–	552	552
Treasury shares purchased	–	–	–	–	(206)	–	(206)
Treasury shares issued	–	–	–	–	7	–	7
Share option expense	–	–	–	–	139	–	139
Dividends on ordinary shares	–	–	–	–	(720)	–	(720)
Dividends on preference share and AT1 securities	–	–	–	–	(448)	–	(448)
Share buy-back <sup>3</sup>	(58)	58	–	–	(1,006)	–	(1,006)
<b>As at 31 December 2019</b>	<b>7,078</b>	<b>17,187</b>	<b>(10)</b>	<b>–</b>	<b>22,722</b>	<b>5,513</b>	<b>52,490</b>
Profit for the year	–	–	–	–	659	–	659
Other comprehensive loss	–	–	(8)	(11)	–	–	(19)
Other equity instruments issued, net of expenses	–	–	–	–	–	990	990
Treasury shares purchased	–	–	–	–	(98)	–	(98)
Treasury shares issued	–	–	–	–	8	–	8
Share option expense	–	–	–	–	133	–	133
Dividends on preference share and AT1 securities	–	–	–	–	(395)	–	(395)
Redemption of other equity instruments	–	–	–	–	(13)	(1,987)	(2,000)
Share buy-back <sup>4</sup>	(20)	20	–	–	(242)	–	(242)
<b>As at 31 December 2020</b>	<b>7,058</b>	<b>17,207</b>	<b>(18)</b>	<b>(11)</b>	<b>22,774</b>	<b>4,516</b>	<b>51,526</b>

1 Includes capital reserve of \$5 million, capital redemption reserve of \$13 million and merger reserve of \$17,111 million

2 Includes dividend received of \$20,989 million from Standard Chartered Holding Limited. Of this amount, \$17,978 million was a dividend in specie of Standard Chartered Bank (Hong Kong) Limited and Standard Chartered Bank (China) Limited, while \$3,010 million was a cash dividend related to the sale of Standard Chartered NEA Limited and Standard Chartered Bank (Taiwan) Limited

3 On 1 May 2019, the Group commenced a share buy-back of its ordinary shares of \$0.50 each up to a maximum consideration of \$1,000 million. Nominal value of share purchases is \$58 million for the year ended 31 December 2019 and the total consideration paid was \$1,006 million which includes share buy-back expenses of \$6 million. The total number of shares purchased was 116,103,483 representing 3.51 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 On 28 February 2020, the Group announced the buy-back programme for a share buy-back of its ordinary shares of \$0.50 each. Nominal value of share purchases was \$20 million, and the total consideration paid was \$242 million. The total number of shares purchased was 40,029,585 representing 1.25 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account. On 31 March 2020, the Group announced that, in response to a request from the Prudential Regulation Authority and as a consequence of the unprecedented challenges facing the world due to the COVID-19 pandemic, its Board had decided after careful consideration to withdraw the recommendation to pay a final dividend for 2019 of 20 cents per ordinary share, and to suspend the buy-back programme

Note 28 includes a description of each reserve.

The notes on pages 304 to 425 form an integral part of these financial statements.

# Contents – Notes to the financial statements

Section	Note		Page
<b>Basis of preparation</b>	<b>1</b>	Accounting policies	304
<b>Performance/return</b>	<b>2</b>	Segmental information	306
	<b>3</b>	Net interest income	312
	<b>4</b>	Net fees and commission	312
	<b>5</b>	Net trading income	314
	<b>6</b>	Other operating income	315
	<b>7</b>	Operating expenses	315
	<b>8</b>	Credit impairment	316
	<b>9</b>	Goodwill, property, plant and equipment and other impairment	320
	<b>10</b>	Taxation	321
	<b>11</b>	Dividends	325
	<b>12</b>	Earnings per ordinary share	326
<b>Assets and liabilities held at fair value</b>	<b>13</b>	Financial instruments	327
	<b>14</b>	Derivative financial instruments	353
<b>Financial instruments held at amortised cost</b>	<b>15</b>	Loans and advances to banks and customers	363
	<b>16</b>	Reverse repurchase and repurchase agreements including other similar lending and borrowing	364
<b>Other assets and investments</b>	<b>17</b>	Goodwill and intangible assets	366
	<b>18</b>	Property, plant and equipment	369
	<b>19</b>	Leased assets	372
	<b>20</b>	Other assets	373
	<b>21</b>	Assets held for sale and associated liabilities	373
<b>Funding, accruals, provisions, contingent liabilities and legal proceedings</b>	<b>22</b>	Debt securities in issue	375
	<b>23</b>	Other liabilities	376
	<b>24</b>	Provisions for liabilities and charges	376
	<b>25</b>	Contingent liabilities and commitments	377
	<b>26</b>	Legal and regulatory matters	378
<b>Capital instruments, equity and reserves</b>	<b>27</b>	Subordinated liabilities and other borrowed funds	379
	<b>28</b>	Share capital, other equity instruments and reserves	380
	<b>29</b>	Non-controlling interests	386
<b>Employee benefits</b>	<b>30</b>	Retirement benefit obligations	386
	<b>31</b>	Share-based payments	392
<b>Scope of consolidation</b>	<b>32</b>	Investments in subsidiary undertakings, joint ventures and associates	396
	<b>33</b>	Structured entities	401
<b>Cash flow statement</b>	<b>34</b>	Cash flow statement	402
	<b>35</b>	Cash and cash equivalents	404
<b>Other disclosure matters</b>	<b>36</b>	Related party transactions	404
	<b>37</b>	Post balance sheet events	405
	<b>38</b>	Auditor's remuneration	406
	<b>39</b>	Standard Chartered PLC (Company)	406
	<b>40</b>	Related undertakings of the Group	410



# Notes to the financial statements

## 1. Accounting policies

### Statement of compliance

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

The parent company financial statements present information about the Company as a separate entity.

The Group financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU IFRS). As the Group has early adopted 'Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2', which have been endorsed by the EU and UK in January 2021 (see 'New accounting standards adopted by the Group' below), the Group has applied international accounting standards which have been adopted for use within the UK.

The Company financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these financial statements.

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

- a) Risk review: Disclosures marked as 'audited' from the start of the Credit Risk section (page 186) to the end of Other principal risks in the same section (page 247).
- b) Capital review: Tables marked as 'audited' from the start of 'CRD Capital base' to the end of 'Movement in total capital', excluding 'Total risk-weighted assets' (pages 278 to 279).

### Basis of preparation

The consolidated and Company financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of cash-settled share-based payments, fair value through other comprehensive income, and financial assets and liabilities (including derivatives) at fair value through profit or loss.

The consolidated financial statements are presented in United States dollars (\$), being the presentation currency of the Group and functional currency of the Company, and all values are rounded to the nearest million dollars, except when otherwise indicated.

### Significant accounting estimates and judgements

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Group's estimates and assumptions are based on historical experience and expectation of future

events and are reviewed periodically. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty and judgement, are set out in the relevant disclosure notes for the following areas:

- Credit impairment, including evaluation of management overlays and post-model adjustments, and determination of probability weightings for Stage 3 individually assessed provisions (Note 8)
- Taxation (Note 10)
- Financial instruments measured at fair value (Note 13)
- Goodwill impairment (Note 17)
- Recoverable amounts for aircraft operating lease assets (Note 18)
- Provisions for liabilities and charges (Note 24)
- Investments in subsidiary undertakings, joint ventures and associates (Note 32)

### IFRS and Hong Kong accounting requirements

As required by the Hong Kong Listing Rules, an explanation of the differences in accounting practices between EU 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 13 Financial instruments
- Note 19 Leased Assets
- Note 25 Contingent liabilities and commitments

### New accounting standards adopted by the Group

#### Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020 the IASB published the second phase of its amendments to IFRS concerning the global initiative to replace or reform Interbank Offered Rates (IBORs) that are used to determine interest cash flows on financial instruments such as loans to customers, debt securities and derivatives. These amendments were endorsed by the EU on 14 January 2021 and by the UK Secretary of State for Business, Energy and Industrial Strategy on 5 January 2021. Phase 2 focuses on issues expected to affect financial reporting when an existing IBOR is replaced with an alternative risk-free rate (RFR). The Group has elected to early adopt the Phase 2 amendments for the year ended 31 December 2020.

The first phase of amendments were early-adopted for the year ended 31 December 2019 (refer to pages 263 to 264 in the 2019 Annual Report), and continue to be in force until there is no longer uncertainty over the cash flows of both the hedged item and hedging instrument.

## 1. Accounting policies continued

The Phase 2 amendments contain a practical expedient, which requires changes to the basis for determining contractual cash flows as a direct result of interest rate benchmark reform to be treated as a change in floating interest rate, provided that the transition from the IBOR benchmark to the alternative RFR takes place on an economically equivalent basis. This may include the addition of a fixed spread to compensate for a basis difference between the existing IBOR benchmark and alternative RFR, changes to reset period, reset dates or number of days between coupon payment dates that are necessary to effect reform of an IBOR benchmark and the addition of any fallback provision to the contractual terms of a financial instrument that allow any of the above changes to be made.

Any other change to contractual terms would be assessed under the Group's accounting policies for loan modifications, including an assessment of whether derecognition of the original instrument is required.

The amendments also provide reliefs which allow the Group to change hedge designations and corresponding documentation without the hedge relationship being discontinued. These include the ability to:

- Redefine the description of the hedged item and/or hedging instrument
- Redefine the hedged risk to reference an alternative RFR
- Change the method for assessing hedge effectiveness due to modifications required by IBOR reform
- Elect, on a hedge-by-hedge basis, to reset the cumulative fair value changes in the assessment of retrospective hedge effectiveness to zero

A hedge designation may be modified more than once, each time a relationship is affected as a direct result of IBOR reform (for example, if the hedged item and hedging instrument are repapered into the alternative RFR at different times).

Where an alternative RFR designated as a non-contractually specified risk portion is not separately identifiable (i.e. fair value hedge of a fixed-rate debt instrument), the Group may assume that the alternative RFR is deemed to have met that requirement provided it reasonably expected the alternative RFR will be separately identifiable within 24 months.

The 24-month period begins individually for each benchmark, but if it is subsequently assessed that the alternative RFR is no longer expected to be separately identifiable within 24 months of the first hedge designation of a benchmark, then all hedges for that benchmark are discontinued prospectively.

Disclosures required under these amendments may be found in the Emerging Risks section on page 274 and in Notes 13 and 14.

### Amendments to IFRS 16: COVID-19-related Rent Concessions

In May 2020 the IASB issued amendments to IFRS 16 Leases, which were endorsed by the EU on 12 October 2020. The amendments are effective for annual reporting periods beginning on or after 1 June 2020, but the Group has elected to early adopt the amendments for the year ended 31 December 2020.

The amendments provide lessees of premises and equipment a practical expedient that permits them not to assess whether a rent concession granted as a direct

consequence of the COVID-19 pandemic is accounted for as a lease modification. Entities may therefore account for such rent concessions by reducing the lease liability by the value of the concession, with a corresponding gain recorded in Other income. A rent concession is only deemed a direct consequence of COVID-19 if all the following criteria are met:

- A change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due up to and including 30 June 2021 (this includes the case where the change results in reduced lease payments before this date and increased lease payments after this date); and
- There is no substantive change to other terms and conditions of the lease

The amendments have not had a material effect on the Group's financial statements, and do not result in any adjustment to opening retained earnings as of 1 January 2020.

### Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations, which were endorsed by the EU in April 2020. The amendments are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. The amendments:

- Clarify the minimum requirements for a business;
- Remove the assessment of whether market participants are capable of replacing any missing elements;
- Add guidance to help entities assess whether an acquired process is substantive;
- Narrow the definitions of a business and of outputs; and
- Introduce an optional fair value concentration test

These amendments do not have a material effect on these financial statements as no transactions in scope of IFRS 3 have occurred during the period and no adjustment is required to opening retained earnings.

### Conceptual Framework for Financial Reporting

In March 2018 the IASB published a revised Conceptual Framework for Financial Reporting, often referred to as the 'Conceptual Framework', applicable to IFRS preparers for annual periods beginning on or after 1 January 2020. The Conceptual Framework provides guidance to preparers on determining accounting policies where no specific IFRS or IAS standard applies to a particular transaction or where a standard allows for an accounting policy choice. It includes limited revisions of definitions of an asset and a liability, as well as new guidance on measurement and derecognition, presentation and disclosure. The concept of prudence has been reintroduced with the statement that prudence supports neutrality. The Conceptual Framework is not an IFRS standard and does not replace any specific standards. The changes in the Conceptual Framework are not considered material to the Group since all of the Group's significant accounting policies are derived from specific IFRS or IAS standards.

## 1. Accounting policies continued

### Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018 the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ('the amendments'), applicable to IFRS preparers for annual periods beginning on or after 1 January 2020. The purpose is to align the definition of 'material' across the standards and to clarify certain aspects of the definition. Information is 'material' if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The revised definition is already aligned to how the Group assesses whether the effect of a change in accounting policy, change in accounting estimate or error would be considered 'material' to the primary users of the Group's financial statements, hence these amendments have no specific effect on the preparation of these financial statements and are not expected to affect the preparation of future financial statements.

### New accounting standards in issue but not yet effective

#### IFRS 17 Insurance Contracts

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

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

In May 2020 the IASB published its 2018-2020 annual improvements process which provides non-urgent but necessary amendments to IFRS. This publication included changes to IFRS 9 that will be effective prospectively from 1 January 2022, with early adoption permitted. Under these amendments, when assessing changes in terms of a financial liability, the only fees considered in the assessment of whether the terms of a new or modified financial liability are substantially different (i.e. a change in present value of more than 10 per cent) from the terms of the original financial liability are fees paid or received between the borrower or lender. This includes fees paid or received by either the borrower or lender on the other's behalf. The effect of these amendments is not expected to be material to the Group's financial statements.

### Going concern

These financial statements were approved by the Board of directors on 25 February 2021. The directors have made an assessment of the Group's ability to continue as a going concern. This assessment has been made having considered the impact of COVID-19, macroeconomic and geopolitical headwinds, including:

- A review of the Group Strategy and Corporate Plan, both of which cover a year from the date of signing the annual report
- An assessment of the actual performance to date, loan book quality, credit impairment, legal, regulatory and compliance matters, and the updated annual budget
- Consideration of stress testing performed, including a bespoke COVID-19 stress test with scenario analysis focused on mild, moderate, severe and extreme variants across the Group's footprint markets to ensure that the Group has sufficient capital to withstand this shock. Under a range of scenarios, the results of these stress tests demonstrate that the Group has sufficient capital and liquidity to continue as a going concern and meet minimum regulatory capital and liquidity requirements
- Analysis of the capital, funding and liquidity position of the Group, including the capital and leverage ratios, and ICAAP which summarises the Group's capital and risk assessment processes, assesses its capital requirements and the adequacy of resources to meet them. Further, funding and liquidity was considered in the context of the risk appetite metrics, including the ADR and LCR ratios
- The Group's Internal Liquidity Adequacy Assessment Process (ILAAP), which considers the Group's liquidity position, its framework and whether sufficient liquidity resources are being maintained to meet liabilities as they fall due, was also reviewed
- The level of debt in issue, including redemptions and issuances during the year, debt falling due for repayment in the next 12 months and further planned debt issuances, including the appetite in the market for the Group's debt.
- A detailed review of all principal and emerging risks

Based on the analysis performed, the directors confirm they are satisfied that the Group has adequate resources to continue in business for a period of at least 12 months from the date of approval of these financial statements. For this reason, the Group continues to adopt the going concern basis of accounting for preparing the financial statements.

## 2. Segmental information

The Group's segmental reporting is in accordance with IFRS 8 Operating Segments and is reported consistently with the internal performance framework and as presented to the Group's Management Team. The four client segments are: Corporate & Institutional Banking, Retail Banking, Commercial Banking, and Private Banking. The four geographic regions are: Greater China & North Asia, ASEAN & South Asia, Africa & Middle East, and Europe & Americas. Activities not directly related to a client segment and/or geographic region are included in Central & other items. These mainly include Corporate Centre costs, treasury activities, certain strategic investments and the UK bank levy.

The following should also be noted:

- Transactions and funding between the segments are carried out on an arm's-length basis
- Corporate Centre costs represent stewardship and central management services roles and activities that are not directly attributable to business or country operations
- Treasury markets, joint ventures and associate investments are managed in the regions and are included within the applicable region. However, they are not managed directly by a client segment and are therefore included in the Central & other items segment

## 2. Segmental information continued

- In addition to treasury activities, Corporate Centre costs and other Group-related functions, Central & other items for regions includes globally run businesses or activities that are managed by the client segments but not directly by geographic management. These include Principal Finance and Portfolio Management
- The Group allocated central costs (excluding Corporate Centre costs) relating to client segments and geographic regions using appropriate business drivers (such as in proportion to the direct cost base of each segment before allocation of indirect costs) and these are reported within operating expenses
- The segmental and regional results reported for 2020 do not reflect changes made to the Group organisation in January 2021 as discussed in the Strategic Report. The Group's segmental and regional results will start to reflect those organisational changes in 2021.

### 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.

### Profit before taxation (PBT)

	2020						
	Underlying \$million	Provision for regulatory matters \$million	Restructuring \$million	Net loss on businesses disposed/ held for sale \$million	Goodwill impairment \$million	Share of profits of PT Bank Permata Tbk joint venture \$million	Statutory \$million
Operating income	14,765	-	27	(38)	-	-	14,754
Operating expenses	(10,142)	14	(252)	-	-	-	(10,380)
Operating profit/(loss) before impairment losses and taxation	4,623	14	(225)	(38)	-	-	4,374
Credit impairment	(2,294)	-	(31)	-	-	-	(2,325)
Other impairment	15	-	(113)	-	(489)	-	(587)
Profit from associates and joint ventures	164	-	(13)	-	-	-	151
<b>Profit/(loss) before taxation</b>	<b>2,508</b>	<b>14</b>	<b>(382)</b>	<b>(38)</b>	<b>(489)</b>	<b>-</b>	<b>1,613</b>
	2019						
	Underlying \$million	Provision for regulatory matters \$million	Restructuring \$million	Net loss on businesses disposed/ held for sale \$million	Goodwill impairment \$million	Share of profits of PT Bank Permata Tbk joint venture \$million	Statutory \$million
Operating income	15,271	-	146	-	-	-	15,417
Operating expenses	(10,409)	(226)	(298)	-	-	-	(10,933)
Operating profit/(loss) before impairment losses and taxation	4,862	(226)	(152)	-	-	-	4,484
Credit impairment	(906)	-	(2)	-	-	-	(908)
Other impairment	(38)	-	(98)	-	(27)	-	(163)
Profit from associates and joint ventures	254	-	(2)	-	-	48	300
<b>Profit/(loss) before taxation</b>	<b>4,172</b>	<b>(226)</b>	<b>(254)</b>	<b>-</b>	<b>(27)</b>	<b>48</b>	<b>3,713</b>

### Restructuring items excluded from underlying results

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

Restructuring charges of \$382 million for 2020 is broadly split evenly between actions to exit the Group's discontinued businesses, primarily ship leasing and principal finance, and actions to transform the organisation to improve productivity, primarily redundancy related charges. Charges related to restructuring increased 50% due to the significant decline in income from discontinued businesses, including negative movements in the valuation of principal finance investments.

The goodwill impairment of \$489 million reflects writing off all goodwill relating to the Group's businesses in India, UAE, Indonesia and Brunei. This was primarily due to lower forward-looking cash flows, lower economic growth forecasts and higher discount rates reflecting lower interest rate environments.

Other restructuring items also include a \$43 million dilution loss following the initial public offering of the Group's associate in China Bohai Bank. Charges related to other items reduced 86% primarily due to the regulatory provisions booked in the prior year.

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

## 2. Segmental information continued

### Underlying performance by client segment

	2020					
	Corporate & Institutional Banking \$million	Retail Banking \$million	Commercial Banking \$million	Private Banking \$million	Central & other items \$million	Total \$million
<b>Operating income</b>	<b>7,214</b>	<b>5,013</b>	<b>1,409</b>	<b>540</b>	<b>589</b>	<b>14,765</b>
External	7,083	4,322	1,320	374	1,666	14,765
Inter-segment	131	691	89	166	(1,077)	-
<b>Operating expenses</b>	<b>(4,178)</b>	<b>(3,701)</b>	<b>(878)</b>	<b>(476)</b>	<b>(909)</b>	<b>(10,142)</b>
<b>Operating profit/(loss) before impairment losses and taxation</b>	<b>3,036</b>	<b>1,312</b>	<b>531</b>	<b>64</b>	<b>(320)</b>	<b>4,623</b>
Credit impairment	(1,237)	(715)	(316)	(2)	(24)	(2,294)
Other impairment	42	(10)	(1)	-	(16)	15
Profit from associates and joint ventures	-	-	-	-	164	164
<b>Underlying profit/(loss) before taxation</b>	<b>1,841</b>	<b>587</b>	<b>214</b>	<b>62</b>	<b>(196)</b>	<b>2,508</b>
Restructuring	(164)	(50)	(57)	(11)	(100)	(382)
Goodwill impairment & other items	-	-	-	-	(513)	(513)
<b>Statutory profit/(loss) before taxation</b>	<b>1,677</b>	<b>537</b>	<b>157</b>	<b>51</b>	<b>(809)</b>	<b>1,613</b>
Total assets	355,401	118,067	32,902	13,716	268,964	789,050
Of which: loans and advances to customers <sup>2</sup>	160,629	115,611	27,342	13,619	19,075	336,276
loans and advances to customers	109,043	115,476	24,498	13,619	19,063	281,699
loans held at fair value through profit or loss	51,586	135	2,844	-	12	54,577
Total liabilities	429,239	158,827	51,803	18,882	79,570	738,321
Of which: customer accounts <sup>2</sup>	262,201	154,831	48,578	18,675	7,869	492,154
	2019 (Restated) <sup>1</sup>					
	Corporate & Institutional Banking \$million	Retail Banking \$million	Commercial Banking \$million	Private Banking \$million	Central & other items \$million	Total \$million
<b>Operating income</b>	7,074	5,186	1,574	577	860	15,271
External	7,264	4,236	1,618	329	1,824	15,271
Inter-segment	(190)	950	(44)	248	(964)	-
<b>Operating expenses</b>	<b>(4,310)</b>	<b>(3,759)</b>	<b>(953)</b>	<b>(514)</b>	<b>(873)</b>	<b>(10,409)</b>
<b>Operating profit/(loss) before impairment losses and taxation</b>	<b>2,764</b>	<b>1,427</b>	<b>621</b>	<b>63</b>	<b>(13)</b>	<b>4,862</b>
Credit impairment	(475)	(336)	(122)	31	(4)	(906)
Other impairment	(32)	2	-	-	(8)	(38)
Profit from associates and joint ventures	-	-	-	-	254	254
<b>Underlying profit before taxation</b>	<b>2,257</b>	<b>1,093</b>	<b>499</b>	<b>94</b>	<b>229</b>	<b>4,172</b>
Restructuring	(110)	(63)	(11)	(11)	(59)	(254)
Goodwill impairment & other items	-	-	-	-	(205)	(205)
<b>Statutory profit/(loss) before taxation</b>	<b>2,147</b>	<b>1,030</b>	<b>488</b>	<b>83</b>	<b>(35)</b>	<b>3,713</b>
Total assets	326,565	109,368	33,978	14,922	235,565	720,398
Of which: loans and advances to customers <sup>2</sup>	153,884	107,140	28,831	14,821	10,078	314,754
loans and advances to customers	108,746	106,902	27,978	14,821	10,076	268,523
loans held at fair value through profit or loss	45,138	238	853	-	2	46,231
Total liabilities	387,561	148,413	41,628	18,480	73,655	669,737
Of which: customer accounts <sup>2</sup>	243,269	144,760	38,847	18,424	7,433	452,733

1 Following a reorganisation of certain clients, there has been a reclassification of balances across client segments

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

	2020					
	Corporate & Institutional Banking \$million	Retail Banking \$million	Commercial Banking \$million	Private Banking \$million	Central & other items \$million	Total \$million
<b>Underlying operating income</b>	<b>7,214</b>	<b>5,013</b>	<b>1,409</b>	<b>540</b>	<b>589</b>	<b>14,765</b>
Restructuring	11	-	29	-	(13)	27
Other items	-	-	-	-	(38)	(38)
<b>Statutory operating income</b>	<b>7,225</b>	<b>5,013</b>	<b>1,438</b>	<b>540</b>	<b>538</b>	<b>14,754</b>
	2019 (Restated) <sup>1</sup>					
	Corporate & Institutional Banking \$million	Retail Banking \$million	Commercial Banking \$million	Private Banking \$million	Central & other items \$million	Total \$million
<b>Underlying operating income</b>	<b>7,074</b>	<b>5,186</b>	<b>1,574</b>	<b>577</b>	<b>860</b>	<b>15,271</b>
Restructuring	146	-	4	-	(4)	146
Other items	-	-	-	-	-	-
<b>Statutory operating income</b>	<b>7,220</b>	<b>5,186</b>	<b>1,578</b>	<b>577</b>	<b>856</b>	<b>15,417</b>

1 Following a reorganisation of certain clients, there has been a reclassification of balances across client segments

### Underlying performance by region

	2020					
	Greater China & North Asia \$million	ASEAN & South Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
<b>Operating income</b>	<b>6,016</b>	<b>4,366</b>	<b>2,364</b>	<b>1,922</b>	<b>97</b>	<b>14,765</b>
<b>Operating expenses</b>	<b>(3,739)</b>	<b>(2,618)</b>	<b>(1,683)</b>	<b>(1,383)</b>	<b>(719)</b>	<b>(10,142)</b>
<b>Operating profit/(loss) before impairment losses and taxation</b>	<b>2,277</b>	<b>1,748</b>	<b>681</b>	<b>539</b>	<b>(622)</b>	<b>4,623</b>
Credit impairment	(352)	(1,132)	(654)	(161)	5	(2,294)
Other impairment	(53)	163	(14)	8	(89)	15
Profit from associates and joint ventures	163	-	-	-	1	164
<b>Underlying profit/(loss) before taxation</b>	<b>2,035</b>	<b>779</b>	<b>13</b>	<b>386</b>	<b>(705)</b>	<b>2,508</b>
Restructuring	(92)	(42)	(88)	(45)	(115)	(382)
Goodwill impairment & other items	(43)	-	-	-	(470)	(513)
<b>Statutory profit/(loss) before taxation</b>	<b>1,900</b>	<b>737</b>	<b>(75)</b>	<b>341</b>	<b>(1,290)</b>	<b>1,613</b>
Total assets	311,484	155,728	58,069	253,438	10,331	789,050
Of which: loans and advances to customers <sup>1</sup>	151,879	87,213	29,413	67,771	-	336,276
loans and advances to customers	143,260	82,897	28,214	27,328	-	281,699
loans held at fair value through profit or loss	8,619	4,316	1,199	40,443	-	54,577
Total liabilities	286,855	134,856	39,980	211,840	64,790	738,321
Of which: customer accounts <sup>1</sup>	231,456	103,167	32,106	125,425	-	492,154



## 2. Segmental information continued

### Underlying performance by region continued

	2019					Total \$million
	Greater China & North Asia \$million	ASEAN & South Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	
<b>Operating income</b>	6,155	4,213	2,562	1,725	616	15,271
<b>Operating expenses</b>	(3,771)	(2,681)	(1,747)	(1,470)	(740)	(10,409)
<b>Operating profit/(loss) before impairment losses and taxation</b>	2,384	1,532	815	255	(124)	4,862
Credit impairment	(194)	(506)	(132)	(98)	24	(906)
Other impairment	(5)	(1)	1	-	(33)	(38)
Profit from associates and joint ventures	247	-	-	-	7	254
<b>Underlying profit/(loss) before taxation</b>	2,432	1,025	684	157	(126)	4,172
Restructuring	(138)	(34)	(18)	(34)	(30)	(254)
Goodwill impairment & other items	-	48	-	-	(253)	(205)
<b>Statutory profit/(loss) before taxation</b>	2,294	1,039	666	123	(409)	3,713
Total assets	277,704	149,785	59,828	220,579	12,502	720,398
Of which: loans and advances to customers <sup>1</sup>	139,977	80,885	31,487	62,405	-	314,754
loans and advances to customers	134,066	78,229	29,940	26,288	-	268,523
loans held at fair value through profit or loss	5,911	2,656	1,547	36,117	-	46,231
Total liabilities	249,004	126,213	36,144	218,794	39,582	669,737
Of which: customer accounts <sup>1</sup>	204,286	97,459	29,280	121,708	-	452,733

<sup>1</sup> Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements

### Operating income by region

	2020					Total \$million
	Greater China & North Asia \$million	ASEAN & South Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	
<b>Underlying operating income</b>	<b>6,016</b>	<b>4,366</b>	<b>2,364</b>	<b>1,922</b>	<b>97</b>	<b>14,765</b>
Restructuring	82	(4)	(2)	-	(49)	27
Other items	(43)	-	-	-	5	(38)
<b>Statutory operating income</b>	<b>6,055</b>	<b>4,362</b>	<b>2,362</b>	<b>1,922</b>	<b>53</b>	<b>14,754</b>

  

	2019					Total \$million
	Greater China & North Asia \$million	ASEAN & South Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	
<b>Underlying operating income</b>	6,155	4,213	2,562	1,725	616	15,271
Restructuring	87	(2)	-	-	61	146
Other items	-	-	-	-	-	-
<b>Statutory operating income</b>	6,242	4,211	2,562	1,725	677	15,417

## 2. Segmental information continued

### Additional segmental information (statutory)

	2020					
	Corporate & Institutional Banking \$million	Retail Banking \$million	Commercial Banking \$million	Private Banking \$million	Central & other items \$million	Total \$million
Net interest income	2,625	3,102	880	262	(17)	6,852
Net fees and commission income	1,219	1,457	280	237	(33)	3,160
Net trading and other income	3,381	454	278	41	588	4,742
<b>Operating income</b>	<b>7,225</b>	<b>5,013</b>	<b>1,438</b>	<b>540</b>	<b>538</b>	<b>14,754</b>

	2019 (Restated) <sup>1</sup>					
	Corporate & Institutional Banking \$million	Retail Banking \$million	Commercial Banking \$million	Private Banking \$million	Central & other items \$million	Total \$million
Net interest income	2,615	3,295	990	315	452	7,667
Net fees and commission income	1,559	1,505	285	223	(50)	3,522
Net trading and other income	3,046	386	303	39	454	4,228
<b>Operating income</b>	<b>7,220</b>	<b>5,186</b>	<b>1,578</b>	<b>577</b>	<b>856</b>	<b>15,417</b>

<sup>1</sup> Following a reorganisation of certain clients, there has been a reclassification of balances across client segments

	2020					Total \$million
	Greater China & North Asia \$million	ASEAN & South Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	
Net interest income	2,942	2,051	1,223	316	320	6,852
Net fees and commission income	1,329	1,015	531	519	(234)	3,160
Net trading and other income	1,784	1,296	608	1,087	(33)	4,742
<b>Operating income</b>	<b>6,055</b>	<b>4,362</b>	<b>2,362</b>	<b>1,922</b>	<b>53</b>	<b>14,754</b>

	2019					Total \$million
	Greater China & North Asia \$million	ASEAN & South Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	
Net interest income	3,276	2,068	1,456	149	718	7,667
Net fees and commission income	1,393	1,123	617	503	(114)	3,522
Net trading and other income	1,573	1,020	489	1,073	73	4,228
<b>Operating income</b>	<b>6,242</b>	<b>4,211</b>	<b>2,562</b>	<b>1,725</b>	<b>677</b>	<b>15,417</b>

	2020								
	Hong Kong \$million	Korea \$million	China \$million	Singapore \$million	India \$million	Indonesia \$million	UAE \$million	UK \$million	US \$million
Net interest income	1,557	650	545	676	664	86	281	62	170
Net fees and commission income	760	175	163	515	202	66	113	61	371
Net trading and other income	1,235	236	175	367	379	156	173	824	242
<b>Operating income</b>	<b>3,552</b>	<b>1,061</b>	<b>883</b>	<b>1,558</b>	<b>1,245</b>	<b>308</b>	<b>567</b>	<b>947</b>	<b>783</b>

	2019								
	Hong Kong \$million	Korea \$million	China \$million	Singapore \$million	India \$million	Indonesia \$million	UAE \$million	UK \$million	US \$million
Net interest income	1,893	659	562	731	564	112	365	(211)	256
Net fees and commission income	866	160	144	552	244	69	143	70	352
Net trading and other income	1,082	152	166	354	232	91	110	904	151
<b>Operating income</b>	<b>3,841</b>	<b>971</b>	<b>872</b>	<b>1,637</b>	<b>1,040</b>	<b>272</b>	<b>618</b>	<b>763</b>	<b>759</b>



### 3. Net interest income

#### Accounting policy

Interest income for financial assets held at either fair value through other comprehensive income or amortised cost, and interest expense on all financial liabilities held at amortised cost is recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Where the estimates of cash flows have been revised, the carrying amount of the financial asset or liability is adjusted to reflect the actual and revised cash flows, discounted at the instrument's original effective interest rate. The adjustment is recognised as interest income or expense in the period in which the revision is made.

Interest income for financial assets that are either held at fair value through other comprehensive income or amortised cost that have become credit-impaired subsequent to initial recognition (stage 3) and have had amounts written off, is recognised using the credit-adjusted effective interest rate. This rate is calculated in the same manner as the effective interest rate except that expected credit losses are included in the expected cash flows. Interest income is therefore recognised on the amortised cost of the financial asset including expected credit losses. Should the Credit Risk on a stage 3 financial asset improve such that the financial asset is no longer considered credit-impaired, interest income recognition reverts to a computation based on the rehabilitated gross carrying value of the financial asset.

	2020 \$million	2019 \$million
Balances at central banks	113	329
Loans and advances to banks	801	1,834
Loans and advances to customers	8,473	10,693
Listed debt securities	1,783	2,113
Unlisted debt securities	542	796
Other eligible bills	495	702
Accrued on impaired assets (discount unwind)	85	82
<b>Interest income</b>	<b>12,292</b>	<b>16,549</b>
Of which: financial instruments held at fair value through other comprehensive income	2,134	3,246
Deposits by banks	237	739
Customer accounts	3,671	6,202
Debt securities in issue	836	1,120
Subordinated liabilities and other borrowed funds	637	756
Interest expense on IFRS 16 lease liabilities	59	65
<b>Interest expense</b>	<b>5,440</b>	<b>8,882</b>
<b>Net interest income</b>	<b>6,852</b>	<b>7,667</b>

### 4. Net fees and commission

#### Accounting policy

Fees and commissions charged for services provided by the Group are recognised as or when the service is completed or significant act performed.

Loan syndication fees are recognised as revenue when the syndication has been completed and the Group retained no part of the loan package for itself, or retained a part at the same effective interest rate as for the other participants.

The Group can act as trustee or in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets and income of the Group.

## 4. Net fees and commission continued

The Group applies the following practical expedients:

- Information on amounts of transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations at the end of the reporting period is not disclosed as almost all fee-earning contracts have an expected duration of less than one year
- Promised consideration is not adjusted for the effects of a significant financing component as the period between the Group providing a service and the customer paying for it is expected to be less than one year
- Incremental costs of obtaining a fee-earning contract are recognised upfront in 'Fees and commission expense' rather than amortised, if the expected term of the contract is less than one year

The determination of the services performed for the customer, the transaction price, and when the services are completed depends on the nature of the product with the customer. The main considerations on income recognition by product are as follows:

### Transaction Banking

The Group recognises fee income associated with transactional trade and cash management at the point in time the service is provided. The Group recognises income associated with trade contingent risk exposures (such as letters of credit and guarantees) over the period in which the service is provided.

Payment of fees is usually received at the same time the service is provided. In some cases, letters of credit and guarantees issued by the Group have annual upfront premiums, which are amortised on a straight-line basis to fee income over the year.

### Financial Markets and Corporate Finance

The Group recognises fee income at the point in time the service is provided. Fee income is recognised for a significant non-lending service when the transaction has been completed and the terms of the contract with the customer entitle the Group to the fee. Fees are usually received shortly after the service is provided.

Syndication fees are recognised when the syndication is complete. Fees are generally received before completion of the syndication, or within 12 months of the transaction date.

Securities services include custody services, fund accounting and administration, and broker clearing. Fees are recognised over the period the custody or fund management services are provided, or as and when broker services are requested.

### Wealth Management

Upfront consideration on bancassurance agreements is amortised straight-line over the contractual term. Commissions for bancassurance activities are recorded as they are earned through sales of third-party insurance products to customers. These commissions are received within a short time frame of the commission being earned. Target-linked fees are accrued based on a percentage of the target achieved, provided it is assessed as highly probable that the target will be met. Cash payment is received at a contractually specified date after achievement of a target has been confirmed.

Upfront and trailing commissions for managed investment placements are recorded as they are confirmed. Income from these activities is relatively even throughout the period, and cash is usually received within a short time frame after the commission is earned.

### Retail Products

The Group recognises most income at the point in time the Group is entitled to the fee, since most services are provided at the time of the customer's request.

Credit card annual fees are recognised at the time the fee is received since, in most of our retail markets, there are contractual circumstances under which fees are waived, so income recognition is constrained until the uncertainties associated with the annual fee are resolved. The Group defers the fair value of reward points on its credit card reward programmes, and recognises income and costs associated with fulfilling the reward at the time of redemption.

	2020 \$million	2019 \$million
Fees and commissions income	3,865	4,111
Of which:		
Financial instruments that are not fair valued through profit or loss	1,122	1,495
Trust and other fiduciary activities	254	166
Fees and commissions expense	(705)	(589)
Of which:		
Financial instruments that are not fair valued through profit or loss	(219)	(138)
Trust and other fiduciary activities	(11)	(27)
<b>Net fees and commission</b>	<b>3,160</b>	<b>3,522</b>

#### 4. Net fees and commission continued

	2020					Total \$million
	Corporate & Institutional Banking \$million	Retail Banking \$million	Commercial Banking \$million	Private Banking \$million	Central & other items \$million	
Transaction Banking	789	10	205	1	-	1,005
Trade	399	10	143	1	-	553
Cash Management	390	-	62	-	-	452
Financial Markets	224	-	47	-	-	271
Corporate Finance	140	-	21	-	-	161
Lending and Portfolio Management	65	-	6	-	-	71
Principal Finance	1	-	-	-	-	1
Wealth Management	-	1,119	1	231	-	1,351
Retail Products	-	328	-	5	-	333
Treasury	-	-	-	-	(25)	(25)
Others	-	-	-	-	(8)	(8)
<b>Net fees and commission</b>	<b>1,219</b>	<b>1,457</b>	<b>280</b>	<b>237</b>	<b>(33)</b>	<b>3,160</b>

  

	2019					Total \$million
	Corporate & Institutional Banking \$million	Retail Banking \$million	Commercial Banking \$million	Private Banking \$million	Central & other items \$million	
Transaction Banking	865	11	212	-	-	1,088
Trade	434	11	154	-	-	599
Cash Management	431	-	58	-	-	489
Financial Markets	453	-	30	-	-	483
Corporate Finance	168	-	27	2	-	197
Lending and Portfolio Management	85	-	14	-	-	99
Principal Finance	(12)	-	-	-	-	(12)
Wealth Management	-	1,132	2	216	-	1,350
Retail Products	-	362	-	5	-	367
Treasury	-	-	-	-	(22)	(22)
Others	-	-	-	-	(28)	(28)
<b>Net fees and commission</b>	<b>1,559</b>	<b>1,505</b>	<b>285</b>	<b>223</b>	<b>(50)</b>	<b>3,522</b>

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 \$718 million (31 December 2019: \$802 million). The income will be earned evenly over the next 8.5 years (31 December 2019: 9.5 years). For the twelve months ended 31 December 2020, \$84 million of fee income was released from deferred income (31 December 2019: \$84 million).

#### 5. Net trading income

##### Accounting policy

Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss are recorded in net trading income in the period in which they arise. This includes contractual interest receivable or payable.

Income is recognised from the sale and purchase of trading positions, margins on market making and customer business and fair value changes.

When the initial fair value of a financial instrument held at fair value through profit or loss relies on unobservable inputs, the difference between the initial valuation and the transaction price is amortised to net trading income as the inputs become observable or over the life of the instrument, whichever is shorter. Any unamortised 'day one' gain is released to net trading income if the transaction is terminated.

	2020 \$million	2019 \$million
Net trading income	3,672	3,350
Significant items within net trading income include:		
Gains on instruments held for trading <sup>1</sup>	3,254	3,296
Gains on financial assets mandatorily at fair value through profit or loss	607	1,557
(Losses)/gains on financial assets designated at fair value through profit or loss	(4)	31
Losses on financial liabilities designated at fair value through profit or loss	(247)	(1,602)

<sup>1</sup> Includes \$395 million loss (31 December 2019: \$671 million gain) from the translation of foreign currency monetary assets and liabilities

## 6. Other operating income

### Accounting policy

Operating lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

Dividends on equity instruments are recognised when the Group's right to receive payment is established.

On disposal of fair value through other comprehensive income debt instruments, the cumulative gain or loss recognised in other comprehensive income is recycled to the profit or loss in other operating income/expense.

When the Group loses control of the subsidiary or disposal group, the difference between the consideration received and the carrying amount of the subsidiary or disposal group is recognised as a gain or loss on sale of the business.

	2020 \$million	2019 \$million
Other operating income includes:		
Rental income from operating lease assets	495	540
Gains less losses on disposal of fair value through other comprehensive income debt instruments	431	170
Gains less losses on amortised cost financial assets	40	(12)
Net loss on sale of businesses <sup>1</sup>	(38)	-
Dividend income	27	17
Gain on sale of aircrafts	11	71
Other	104	92
<b>Other operating income</b>	<b>1,070</b>	<b>878</b>

<sup>1</sup> Includes Bohai's dilution loss, see Note 32

## 7. Operating expenses

### Accounting policy

Short-term employee benefits: salaries and social security expenses are recognised over the period in which the employees provide the service. Variable compensation is included within share-based payments costs and wages and salaries.

Pension costs: contributions to defined contribution pension schemes are recognised in profit or loss when payable. For defined benefit plans, net interest expense, service costs and expenses are recognised in the income statement. Further details are provided in Note 30.

Share-based compensation: the Group operates equity-settled and cash-settled share-based payment compensation plans. The fair value of the employee services (measured by the fair value of the option granted) received in exchange for the grant of the options is recognised as an expense. Further details are provided in Note 31.

	2020 \$million	2019 \$million
Staff costs:		
Wages and salaries	5,362	5,508
Social security costs	168	180
Other pension costs (Note 30)	358	372
Share-based payment costs (Note 31)	132	166
Other staff costs	866	896
	<b>6,886</b>	<b>7,122</b>

Other staff costs include redundancy expenses of \$179 million (31 December 2019: \$173 million). Further costs in this category include training, travel costs and other staff-related costs.

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

	2020			2019 <sup>1</sup>		
	Business	Support services	Total	Business	Support services	Total
At 31 December	34,905	48,752	83,657	37,117	47,281	84,398
Average for the year	36,435	48,305	84,740	37,400	46,538	83,938

<sup>1</sup> Prior year headcount has been re-presented due to a change in Management View of segments

The Company employed nil staff at 31 December 2020 (31 December 2019: nil) and it incurred costs of \$87 million (31 December 2019: \$32 million).

Details of directors' pay, benefits, pensions and benefits and interests in shares are disclosed in the Directors' remuneration report (page 133).

Transactions with directors, officers and other related parties are disclosed in Note 36.

## 7. Operating expenses continued

	2020 \$million	2019 \$million
Premises and equipment expenses	412	420
General administrative expenses:		
UK bank levy	331	347
Provision for regulatory matters	(14)	226
Other general administrative expenses	1,514	1,638
	1,831	2,211
Depreciation and amortisation:		
Property, plant and equipment:		
Premises	373	360
Equipment	129	112
Operating lease assets	229	263
	731	735
Intangibles:		
Software	515	436
Acquired on business combinations	5	9
	1,251	1,180
<b>Total operating expenses</b>	<b>10,380</b>	<b>10,933</b>

The UK bank levy is applied on the chargeable equity and liabilities on the Group's consolidated balance sheet. Key exclusions from chargeable equity and liabilities include Tier 1 capital, insured or guaranteed retail deposits, repos secured on certain sovereign debt and liabilities subject to netting. The rate of the levy for 2020 is 0.14 per cent for chargeable short-term liabilities, with a lower rate of 0.07 per cent generally applied to chargeable equity and long-term liabilities (i.e. liabilities with a remaining maturity greater than one year). From 1 January 2021 the rates are 0.10 per cent for short-term liabilities and 0.05 per cent for long-term liabilities. In addition, the scope of the UK bank levy is restricted to the balance sheet of UK operations only from this date.

## 8. Credit impairment

### Accounting policy

#### Significant accounting estimates and judgements

The Group's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions. The significant judgements in determining expected credit loss include:

- The Group's criteria for assessing if there has been a significant increase in Credit Risk;
- Development of expected credit loss models, including the choice of inputs relating to macroeconomic variables;
- Evaluation of management overlays and post-model adjustments;
- Determination of probability weightings for Stage 3 individually assessed provisions

The calculation of credit impairment provisions also involves expert credit judgement to be applied by the Credit Risk Management Team based upon counterparty information they receive from various sources including relationship managers and on external market information. Details on the approach for determining expected credit loss can be found in the Credit Risk section, under IFRS 9 Methodology (page 224).

Estimates of forecasts of key macroeconomic variables underlying the expected credit loss calculation can be found within the Risk review, Key assumptions and judgements in determining expected credit loss (page 225).

#### Expected credit losses

Expected credit losses are determined for all financial debt instruments that are classified at amortised cost or fair value through other comprehensive income, undrawn commitments and financial guarantees.

An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee.

A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive over the contractual life of the instrument.

## 8. Credit impairment continued

### Measurement

Expected credit losses are computed as unbiased, probability-weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information including that which is forward-looking.

For material portfolios, the estimate of expected cash shortfalls is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD). There may be multiple default events over the lifetime of an instrument. Further details on the components of PD, LGD and EAD are disclosed in the Credit Risk section. For less material Retail Banking loan portfolios, the Group has adopted less sophisticated approaches based on historical roll rates or loss rates.

Forward-looking economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they influence Credit Risk, such as GDP growth rates, interest rates, house price indices and commodity prices among others. These assumptions are incorporated using the Group's most likely forecast for a range of macroeconomic assumptions. These forecasts are determined using all reasonable and supportable information, which includes both internally developed forecasts and those available externally, and are consistent with those used for budgeting, forecasting and capital planning.

To account for the potential non-linearity in credit losses, multiple forward-looking scenarios are incorporated into the range of reasonably possible outcomes for all material portfolios. For example, where there is a greater risk of downside credit losses than upside gains, multiple forward-looking economic scenarios are incorporated into the range of reasonably possible outcomes, both in respect of determining the PD (and where relevant, the LGD and EAD) and in determining the overall expected credit loss amounts. These scenarios are determined using a Monte Carlo approach centred around the Group's most likely forecast of macroeconomic assumptions.

The period over which cash shortfalls are determined is generally limited to the maximum contractual period for which the Group is exposed to Credit Risk. However, for certain revolving credit facilities, which include credit cards or overdrafts, the Group's exposure to Credit Risk is not limited to the contractual period. For these instruments, the Group estimates an appropriate life based on the period that the Group is exposed to Credit Risk, which includes the effect of Credit Risk management actions such as the withdrawal of undrawn facilities.

For credit-impaired financial instruments, the estimate of cash shortfalls may require the use of expert credit judgement.

The estimate of expected cash shortfalls on a collateralised financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, regardless of whether foreclosure is deemed probable.

Cash flows from unfunded credit enhancements held are included within the measurement of expected credit losses if they are part of, or integral to, the contractual terms of the instrument (this includes financial guarantees, unfunded risk participations and other non-derivative credit insurance). Although non-integral credit enhancements do not impact the measurement of expected credit losses, a reimbursement asset is recognised to the extent of the expected credit losses recorded.

Cash shortfalls are discounted using the effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired instruments (POCI)) on the financial instrument as calculated at initial recognition or if the instrument has a variable interest rate, the current effective interest rate determined under the contract.

Instruments	Location of expected credit loss provisions
Financial assets held at amortised cost	Loss provisions: netted against gross carrying value <sup>1</sup>
Financial assets held FVOCI - Debt instruments	Other comprehensive income (FVOCI expected credit loss reserve) <sup>2</sup>
Loan commitments	Provisions for liabilities and charges <sup>3</sup>
Financial guarantees	Provisions for liabilities and charges <sup>3</sup>

1 Purchased or originated credit-impaired assets do not attract an expected credit loss provision on initial recognition. An expected credit loss provision will be recognised only if there is an increase in expected credit losses from that considered at initial recognition

2 Debt and treasury securities classified as fair value through other comprehensive income (FVOCI) are held at fair value on the face of the balance sheet. The expected credit loss attributed to these instruments is held as a separate reserve within other comprehensive income (OCI) and is recycled to the profit and loss account along with any fair value measurement gains or losses held within FVOCI when the applicable instruments are derecognised

3 Expected credit loss on loan commitments and financial guarantees is recognised as a liability provision. Where a financial instrument includes both a loan (i.e. financial asset component) and an undrawn commitment (i.e. loan commitment component), and it is not possible to separately identify the expected credit loss on these components, expected credit loss amounts on the loan commitment are recognised together with expected credit loss amounts on the financial asset. To the extent the combined expected credit loss exceeds the gross carrying amount of the financial asset, the expected credit loss is recognised as a liability provision

### Recognition

**12 months expected credit losses (stage 1)** Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the Credit Risk of an instrument or the instrument becomes credit-impaired. If an instrument is no longer considered to exhibit a significant increase in Credit Risk, expected credit losses will revert to being determined on a 12-month basis.

## 8. Credit impairment continued

**Significant increase in Credit Risk (Stage 2)** If a financial asset experiences a significant increase in Credit Risk (SICR) since initial recognition, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset.

Significant increase in Credit Risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in expected credit loss. Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors, the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in Credit Risk. For less material portfolios where a loss rate or roll rate approach is applied to compute expected credit loss, significant increase in Credit Risk is primarily based on 30 days past due.

Quantitative factors include an assessment of whether there has been significant increase in the forward-looking probability of default (PD) since origination. A forward-looking PD is one that is adjusted for future economic conditions to the extent these are correlated to changes in Credit Risk. We compare the residual lifetime PD at the balance sheet date to the residual lifetime PD that was expected at the time of origination for the same point in the term structure and determine whether both the absolute and relative change between the two exceeds predetermined thresholds. To the extent that the differences between the measures of default outlined exceed the defined thresholds, the instrument is considered to have experienced a significant increase in Credit Risk.

Qualitative factors assessed include those linked to current Credit Risk management processes, such as lending placed on non-purely precautionary early alert (and subject to closer monitoring).

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

**Credit-impaired (or defaulted) exposures (Stage 3)** Financial assets that are credit-impaired (or in default) represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit-impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit-impaired.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or borrower;
- Breach of contract such as default or a past due event;
- For economic or contractual reasons relating to the borrower's financial difficulty, the lenders of the borrower have granted the borrower concession/s that lenders would not otherwise consider. This would include forbearance actions (page 319);
- Pending or actual bankruptcy or other financial reorganisation to avoid or delay discharge of the borrower's obligation/s;
- The disappearance of an active market for the applicable financial asset due to financial difficulties of the borrower;
- Purchase or origination of a financial asset at a deep discount that reflects incurred credit losses

Lending commitments to a credit-impaired obligor that have not yet been drawn down are included to the extent that the commitment cannot be withdrawn. Loss provisions against credit-impaired financial assets are determined based on an assessment of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate. The loss provisions held represent the difference between the present value of the expected cash shortfalls, discounted at the instrument's original effective interest rate, and the gross carrying value (including contractual interest due but not paid) of the instrument prior to any credit impairment. The Group's definition of default is aligned with the regulatory definition of default as set out in European Capital Requirements Regulation (CRR178) and related guidelines.



## 8. Credit impairment continued

### Expert credit judgement

For Corporate & Institutional, Commercial and Private Banking, borrowers are graded by Credit Risk management on a credit grading (CG) scale from CG1 to CG14. Once a borrower starts to exhibit credit deterioration, it will move along the credit grading scale in the performing book and when it is classified as CG12 the credit assessment and oversight of the loan will normally be performed by Group Special Assets Management (GSAM).

Borrowers graded CG12 exhibit well-defined weaknesses in areas such as management and/or performance but there is no current expectation of a loss of principal or interest. Where the impairment assessment indicates that there will be a loss of principal on a loan, the borrower is graded a CG14 while borrowers of other credit-impaired loans are graded CG13. Instruments graded CG13 or CG14 are regarded as stage 3.

For individually significant financial assets within stage 3, GSAM will consider all judgements that have an impact on the expected future cash flows of the asset. These include: the business prospects, industry and geopolitical climate of the customer, quality of realisable value of collateral, the Group's legal position relative to other claimants and any renegotiation/forbearance/modification options. The future cash flow calculation involves significant judgements and estimates. As new information becomes available and further negotiations/forbearance measures are taken, the estimates of the future cash flows will be revised, and will have an impact on the future cash flow analysis.

For financial assets which are not individually significant, such as the Retail Banking portfolio or small business loans, which comprise a large number of homogenous loans that share similar characteristics, statistical estimates and techniques are used, as well as credit scoring analysis.

Retail Banking clients are considered credit-impaired where they are more than 90 days past due. Retail Banking products are also considered credit-impaired if the borrower files for bankruptcy or other forbearance programme, the borrower is deceased or the business is closed in the case of a small business, or if the borrower surrenders the collateral, or there is an identified fraud on the account. Additionally, if the account is unsecured and the borrower has other credit accounts with the Group that are considered credit-impaired, the account may be also be credit-impaired.

Techniques used to compute impairment amounts use models which analyse historical repayment and default rates over a time horizon. Where various models are used, judgement is required to analyse the available information provided and select the appropriate model or combination of models to use.

Expert credit judgement is also applied to determine whether any post-model adjustments are required for Credit Risk elements which are not captured by the models.

### Modified financial instruments

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised (an instrument is derecognised when a modification results in a change in cash flows that the Group would consider substantial), the resulting modification loss is recognised within credit impairment in the income statement with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the bank would not otherwise consider, the instrument is considered to be credit-impaired and is considered forbore.

Expected credit loss for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in Credit Risk. These assets are assessed (by comparison to the origination date) to determine whether there has been a significant increase in Credit Risk subsequent to the modification. Although loans may be modified for non-credit reasons, a significant increase in Credit Risk may occur. In addition to the recognition of modification gains and losses, the revised carrying value of modified financial assets will impact the calculation of expected credit losses, with any increase or decrease in expected credit loss recognised within impairment.

### Forborne loans

Forborne loans are those loans that have been modified in response to a customer's financial difficulties. Forbearance strategies assist clients who are temporarily in financial distress and are unable to meet their original contractual repayment terms. Forbearance can be initiated by the client, the Group or a third-party including government-sponsored programmes or a conglomerate of credit institutions. Forbearance may include debt restructuring such as new repayment schedules, payment deferrals, tenor extensions, interest-only payments, lower interest rates, forgiveness of principal, interest or fees, or relaxation of loan covenants.

Forborne loans that have been modified (and not derecognised) on terms that are not consistent with those readily available in the market and/or where we have granted a concession compared to the original terms of the loans are considered credit-impaired if there is a detrimental impact on cash flows. The modification loss (see Classification and measurement – Modifications) is recognised in the profit or loss within credit impairment and the gross carrying value of the loan reduced by the same amount. The modified loan is disclosed as 'Loans subject to forbearance – credit-impaired'.

Loans that have been subject to a forbearance modification, but which are not considered credit-impaired (not classified as CG13 or CG14), are disclosed as 'Forborne – not credit-impaired'. This may include amendments to covenants within the contractual terms.



## 8. Credit impairment continued

### Write-offs of credit-impaired instruments and reversal of impairment

To the extent a financial debt instrument is considered irrecoverable, the applicable portion of the gross carrying value is written off against the related loan provision. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for credit impairment in the income statement.

### Loss provisions on purchased or originated credit-impaired instruments (POCI)

The Group measures expected credit loss on a lifetime basis for POCI instruments throughout the life of the instrument. However, expected credit loss is not recognised in a separate loss provision on initial recognition for POCI instruments as the lifetime expected credit loss is inherent within the gross carrying amount of the instruments. The Group recognises the change in lifetime expected credit losses arising subsequent to initial recognition in the income statement and the cumulative change as a loss provision. Where lifetime expected credit losses on POCI instruments are less than those at initial recognition, then the favourable differences are recognised as impairment gains in the income statement (and as impairment loss where the expected credit losses are greater).

### Improvement in Credit Risk/curing

A period may elapse from the point at which instruments enter lifetime expected credit losses (stage 2 or stage 3) and are reclassified back to 12-month expected credit losses (stage 1). For financial assets that are credit-impaired (stage 3), a transfer to stage 2 or stage 1 is only permitted where the instrument is no longer considered to be credit-impaired. An instrument will no longer be considered credit-impaired when there is no shortfall of cash flows compared to the original contractual terms.

For financial assets within stage 2, these can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in Credit Risk.

Where significant increase in Credit Risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the original PD-based transfer criteria are no longer met. Where instruments were transferred to stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to stage 1. This includes instances where management actions led to instruments being classified as stage 2, requiring that action to be resolved before loans are reclassified to stage 1.

A forbore loan can only be removed from being disclosed as forbore if the loan is performing (stage 1 or 2) and a further two-year probation period is met.

In order for a forbore loan to become performing, the following criteria have to be satisfied:

- At least a year has passed with no default based upon the forbore contract terms
- The customer is likely to repay its obligations in full without realising security
- The customer has no accumulated impairment against amount outstanding (except for expected credit loss)

Subsequent to the criteria above, a further two-year probation period has to be fulfilled, whereby regular payments are made by the customer and none of the exposures to the customer are more than 30 days past due.

	2020 \$million	2019 \$million
Net credit impairment on loans and advances to banks and customers	2,191	856
Net credit impairment on debt securities	33	9
Net credit impairment relating to financial guarantees and loan commitments	103	35
Net credit impairment relating to other financial assets	(2)	8
<b>Credit impairment<sup>1</sup></b>	<b>2,325</b>	<b>908</b>

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

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

### Accounting policy

Refer to the below referenced notes for the relevant accounting policy

	2020 \$million	2019 \$million
Impairment of goodwill (Note 17)	489	27
Impairment of property, plant and equipment (Note 18)	132	122
Impairment of other intangible assets (Note 17)	17	12
Other <sup>1</sup>	(51)	2
Property, plant and equipment and other impairment	98	136
<b>Goodwill, property, plant and equipment and other impairment</b>	<b>587</b>	<b>163</b>

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

## 10. Taxation

### Accounting policy

Income tax payable on profits is based on the applicable tax law in each jurisdiction and is recognised as an expense in the period in which profits arise.

Deferred tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted as at the balance sheet date, and that are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where permitted, deferred tax assets and liabilities are offset on an entity basis and not by component of deferred taxation.

Current and deferred tax relating to items which are charged or credited directly to equity, is credited or charged directly to equity and is subsequently recognised in the income statement together with the current or deferred gain or loss.

### Significant accounting estimates and judgements

- Determining the Group's tax charge for the year involves estimation and judgement, which includes an interpretation of local tax laws and an assessment of whether the tax authorities will accept the position taken. These judgements take account of external advice where appropriate, and the Group's view on settling with the relevant tax authorities
- The Group provides for current tax liabilities at the best estimate of the amount that is expected to be paid to the tax authorities where an outflow is probable. In making its estimates the Group assumes that the tax authorities will examine all the amounts reported to them and have full knowledge of all relevant information
- The recoverability of the Group's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised

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

	2020 \$million	2019 \$million
The charge for taxation based upon the profit for the year comprises:		
<b>Current tax:</b>		
United Kingdom corporation tax at 19 per cent (2019:19 per cent):		
Current tax charge on income for the year	-	-
Adjustments in respect of prior years (including double tax relief)	(41)	(6)
Foreign tax:		
Current tax charge on income for the year	1,061	1,427
Adjustments in respect of prior years	(352)	1
	<b>668</b>	1,422
<b>Deferred tax:</b>		
Origination/reversal of temporary differences	(193)	22
Adjustments in respect of prior years	387	(71)
	<b>194</b>	(49)
<b>Tax on profits on ordinary activities</b>	<b>862</b>	1,373
<b>Effective tax rate</b>	<b>53.4%</b>	37.0%

The tax charge for the year of \$862 million (31 December 2019: \$1,373 million) on a profit before tax of \$1,613 million (31 December 2019: \$3,713 million) reflects the impact of non-deductible expenses, non-deductible goodwill impairment and the impact of countries with tax rates higher or lower than the UK, the most significant of which is India. The 2019 charge reflected the impact of capital gains tax on internal restructuring to establish the Hong Kong hub and other non-deductible expenses, non-creditable withholding taxes and the impact of countries with tax rates higher or lower than the UK, the most significant of which is India.

The adjustments in respect of prior years include \$288 million between current and deferred tax, relating to the treatment of loan impairments in India as deductible in the period they are impaired.

Foreign tax includes current tax of \$167 million (31 December 2019: \$206 million) on the profits assessable in Hong Kong. Deferred tax includes origination or reversal of temporary differences of \$(30) million (31 December 2019: \$(1) million) provided at a rate of 16.5 per cent (31 December 2019: 16.5 per cent) on the profits assessable in Hong Kong.

## 10. Taxation continued

**Tax rate:** The tax charge for the year is higher than the charge at the rate of corporation tax in the UK, 19 per cent. The differences are explained below:

	2020 \$million	2019 \$million
<b>Profit on ordinary activities before tax</b>	<b>1,613</b>	3,713
Tax at 19 per cent (2019: 19 per cent)	<b>306</b>	705
Lower tax rates on overseas earnings	<b>(36)</b>	(89)
Higher tax rates on overseas earnings	<b>305</b>	316
Non-creditable withholding taxes	<b>127</b>	144
Tax-free income	<b>(133)</b>	(138)
Share of associates and joint ventures	<b>(26)</b>	(51)
Non-deductible expenses	<b>266</b>	288
Provision for regulatory matters	<b>-</b>	27
Bank levy	<b>63</b>	66
Non-taxable losses on investments	<b>13</b>	9
Payments on financial instruments in reserves	<b>(59)</b>	(67)
Capital gains tax on internal restructuring	<b>-</b>	179
Goodwill impairment	<b>93</b>	5
Deferred tax not recognised	<b>49</b>	41
Deferred tax assets written-off	<b>15</b>	30
Deferred tax rate changes	<b>(51)</b>	(6)
Adjustments to tax charge in respect of prior years	<b>(6)</b>	(76)
Other items	<b>(64)</b>	(10)
<b>Tax on profit on ordinary activities</b>	<b>862</b>	1,373

Factors affecting the tax charge in future years: The Group's tax charge, and effective tax rate in future years could be affected by several factors including acquisitions, disposals and restructuring of our businesses, the mix of profits across jurisdictions with different statutory tax rates, changes in tax legislation and tax rates and resolution of uncertain tax positions.

The evaluation of uncertain tax positions involves an interpretation of local tax laws which could be subject to challenge by a tax authority, and an assessment of whether the tax authorities will accept the position taken. The Group does not currently consider that assumptions or judgements made in assessing tax liabilities have a significant risk of resulting in a material adjustment within the next financial year.

Tax recognised in other comprehensive income	2020			2019		
	Current tax \$million	Deferred tax \$million	Total \$million	Current tax \$million	Deferred tax \$million	Total \$million
Items that will not be reclassified to income statement	-	(17)	(17)	15	27	42
Own credit adjustment	-	1	1	17	35	52
Equity instruments at fair value through other comprehensive income	-	(27)	(27)	5	(10)	(5)
Retirement benefit obligations	-	9	9	(7)	2	(5)
Items that may be reclassified subsequently to income statement	(1)	(53)	(54)	2	(50)	(48)
Debt instruments at fair value through other comprehensive income	(1)	(68)	(69)	2	(44)	(42)
Cash flow hedges	-	15	15	-	(6)	(6)
<b>Total tax credit/(charge) recognised in equity</b>	<b>(1)</b>	<b>(70)</b>	<b>(71)</b>	<b>17</b>	<b>(23)</b>	<b>(6)</b>

## 10. Taxation continued

**Current tax:** The following are the movements in current tax during the year:

	2020 \$million	2019 \$million
<b>Current tax comprises:</b>		
Current tax assets	539	492
Current tax liabilities	(703)	(676)
<b>Net current tax opening balance</b>	<b>(164)</b>	<b>(184)</b>
Movements in income statement	(668)	(1,422)
Movements in other comprehensive income	(1)	17
Taxes paid	971	1,421
Other movements	10	4
<b>Net current tax balance as at 31 December</b>	<b>148</b>	<b>(164)</b>
Current tax assets	808	539
Current tax liabilities	(660)	(703)
<b>Total</b>	<b>148</b>	<b>(164)</b>

**Deferred tax:** The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the year:

	At 1 January 2020 \$million	Exchange & other adjustments \$million	(Charge)/credit to profit \$million	(Charge)/credit to equity \$million	At 31 December 2020 \$million
<b>Deferred tax comprises:</b>					
Accelerated tax depreciation	(526)	–	33	–	(493)
Impairment provisions on loans and advances	957	(14)	(524)	–	419
Tax losses carried forward	263	(5)	24	–	282
Fair value through other comprehensive income	(49)	–	(2)	(95)	(146)
Cash flow hedges	(13)	–	–	15	2
Own credit adjustment	2	–	–	1	3
Retirement benefit obligations	31	(1)	(3)	9	36
Share-based payments	16	(3)	10	–	23
Other temporary differences	(187)	14	268	3	98
<b>Net deferred tax assets</b>	<b>494</b>	<b>(9)</b>	<b>(194)</b>	<b>(67)</b>	<b>224</b>

	At 1 January 2019 \$million	Exchange & other adjustments \$million	(Charge)/credit to profit \$million	(Charge)/credit to equity \$million	At 31 December 2019 \$million
<b>Deferred tax comprises:</b>					
Accelerated tax depreciation	(494)	(5)	(27)	–	(526)
Impairment provisions on loans and advances	961	(13)	9	–	957
Tax losses carried forward	266	–	(3)	–	263
Fair value through other comprehensive income	3	1	1	(54)	(49)
Cash flow hedges	(7)	–	–	(6)	(13)
Own credit adjustment	(33)	–	–	35	2
Retirement benefit obligations	40	(3)	(8)	2	31
Share-based payments	15	–	1	–	16
Other temporary differences	(267)	4	76	–	(187)
<b>Net deferred tax assets</b>	<b>484</b>	<b>(16)</b>	<b>49</b>	<b>(23)</b>	<b>494</b>

## 10. Taxation continued

Deferred tax comprises assets and liabilities as follows:

	2020			2019		
	Total \$million	Asset \$million	Liability \$million	Total \$million	Asset \$million	Liability \$million
<b>Deferred tax comprises:</b>						
Accelerated tax depreciation	(493)	(30)	(463)	(526)	(9)	(517)
Impairment provisions on loans and advances	419	403	16	957	956	1
Tax losses carried forward	282	171	111	263	137	126
Fair value through other comprehensive income	(146)	(61)	(85)	(49)	(40)	(9)
Cash flow hedges	2	6	(4)	(13)	6	(19)
Own credit adjustment	3	2	1	2	4	(2)
Retirement benefit obligations	36	25	11	31	20	11
Share-based payments	23	8	15	16	14	2
Other temporary differences	98	395	(297)	(187)	17	(204)
	<b>224</b>	<b>919</b>	<b>(695)</b>	<b>494</b>	<b>1,105</b>	<b>(611)</b>

At 31 December 2020, the Group has net deferred tax assets of \$224 million (31 December 2019: \$494 million). The recoverability of the Group's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised.

Of the Group's total deferred tax assets, \$282 million relates to tax losses carried forward. These tax losses have arisen in individual legal entities and will be offset as future taxable profits arise in those entities.

- \$129 million of the deferred tax assets relating to losses has arisen in Ireland, where there is no expiry date for unused tax losses. These losses relate to aircraft leasing and are expected to be fully utilised over the useful economical life of the assets being up to 18 years
- \$92 million of the deferred tax assets relating to losses has arisen in the US. Management forecasts show that the losses are expected to be fully utilised over a period of five years.

The remaining deferred tax assets of \$61 million relating to losses have arisen in other jurisdictions and are expected to be recovered in less than 10 years.

	2020 \$million	2019 \$million
<b>No account has been taken of the following potential deferred tax assets/(liabilities):</b>		
Withholding tax on unremitted earnings from overseas subsidiaries	(315)	(230)
Tax losses	1,597	1,297
Held-over gains on incorporation of overseas branches	(336)	(410)
Other temporary differences	160	83

## 11. Dividends

### Accounting policy

Dividends on ordinary shares and preference shares classified as equity are recognised in equity in the year in which they are declared. Dividends on ordinary equity shares are recorded in the year in which they are declared and, in respect of the final dividend, have been approved by the shareholders.

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

### Ordinary equity shares

	2020		2019	
	Cents per share	\$million	Cents per share	\$million
2019/2018 final dividend declared and paid during the year	-	-	15	495
2020/2019 interim dividend declared and paid during the year	-	-	7	225

Dividends on ordinary equity shares are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. Accordingly, the final ordinary equity share dividends set out above relate to the respective prior years.

### 2020 recommended final ordinary equity share dividend

The 2020 ordinary equity share dividend recommended by the Board is 9 cents per share. The financial statements for the year ended 31 December 2020 do not reflect this dividend as this will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 December 2021.

The dividend will be paid in either pounds sterling, Hong Kong dollars or US dollars on 20 May 2021 to shareholders on the UK register of members at the close of business in the UK on 5 March 2021.

### Preference shares and Additional Tier 1 securities

Dividends on these preference shares and securities classified as equity are recorded in the period in which they are declared

		2020 \$million	2019 \$million
Non-cumulative redeemable preference shares:	7.014 per cent preference shares of \$5 each	53	53
	6.409 per cent preference shares of \$5 each	20	30
		73	83
Additional Tier 1 securities: Fixed rate resetting perpetual subordinated contingent convertible securities		322	365
		395	448

## 12. Earnings per ordinary share

### Accounting policy

Basic earnings per ordinary share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, excluding own shares held. Diluted earnings per ordinary share is calculated by dividing the basic earnings, which require no adjustment for the effects of dilutive potential ordinary shares, by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares, excluding own shares held.

The Group also measures earnings per share on an underlying basis. This differs from earnings defined in IAS 33 Earnings per share. Underlying earnings is profit/(loss) attributable to ordinary shareholders adjusted for profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period.

The table below provides the basis of underlying earnings.

	2020 \$million	2019 \$million
<b>Profit for the period attributable to equity holders</b>	<b>751</b>	2,340
Non-controlling interest	<b>(27)</b>	(37)
Dividend payable on preference shares and AT1 classified as equity	<b>(395)</b>	(448)
<b>Profit for the period attributable to ordinary shareholders</b>	<b>329</b>	1,855
Items normalised:		
Provision for regulatory matters	<b>(14)</b>	226
Restructuring	<b>382</b>	254
Profit from joint venture	<b>-</b>	(48)
Goodwill impairment (Note 9)	<b>489</b>	27
Net loss on sale of businesses (Note 6)	<b>38</b>	-
Tax on normalised items <sup>1</sup>	<b>(83)</b>	152
<b>Underlying profit</b>	<b>1,141</b>	2,466
Basic – Weighted average number of shares (millions)	<b>3,160</b>	3,256
Diluted – Weighted average number of shares (millions)	<b>3,199</b>	3,290
<b>Basic earnings per ordinary share (cents)</b>	<b>10.4</b>	57.0
<b>Diluted earnings per ordinary share (cents)</b>	<b>10.3</b>	56.4
<b>Underlying basic earnings per ordinary share (cents)</b>	<b>36.1</b>	75.7
<b>Underlying diluted earnings per ordinary share (cents)</b>	<b>35.7</b>	75.0

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

## 13. Financial instruments

### Classification and measurement

#### Accounting policy

The Group classifies its financial assets into the following measurement categories: amortised cost; fair value through other comprehensive income (FVOCI); and fair value through profit or loss. Financial liabilities are classified as either amortised cost, or held at fair value through profit or loss. Management determines the classification of its financial assets and liabilities at initial recognition of the instrument or, where applicable, at the time of reclassification.

#### Financial assets held at amortised cost and fair value through other comprehensive income

Debt instruments held at amortised cost or held at FVOCI have contractual terms that give rise to cash flows that are solely payments of principal and interest (SPPI) characteristics. Principal is the fair value of the financial asset at initial recognition but this may change over the life of the instrument as amounts are repaid. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows have SPPI characteristics, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows
- Leverage features
- Prepayment and extension terms
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements)
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates

Whether financial assets are held at amortised cost or at FVOCI depend on the objectives of the business models under which the assets are held. A business model refers to how the Group manages financial assets to generate cash flows.

The Group makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed and information is provided to management. Factors considered include:

- How the performance of the product business line is evaluated and reported to the Group's management
- How managers of the business model are compensated, including whether management is compensated based on the fair value of assets or the contractual cash flows collected
- The risks that affect the performance of the business model and how those risks are managed
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity

The Group's business model assessment is as follows:

Business model	Business objective	Characteristics	Businesses	Products
<b>Hold to collect</b>	Intent is to originate financial assets and hold them to maturity, collecting the contractual cash flows over the term of the instrument	<ul style="list-style-type: none"> <li>• Providing financing and originating assets to earn interest income as primary income stream</li> <li>• Performing credit risk management activities</li> <li>• Costs include funding costs, transaction costs and impairment losses</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Lending</li> <li>• Corporate Finance</li> <li>• Transaction Banking</li> <li>• Retail Lending</li> <li>• Treasury Markets (Loans and Borrowings)</li> </ul>	<ul style="list-style-type: none"> <li>• Loans and advances</li> <li>• Debt securities</li> </ul>
<b>Hold to collect and sell</b>	Business objective met through both hold to collect and by selling financial assets	<ul style="list-style-type: none"> <li>• Portfolios held for liquidity needs; or where a certain interest yield profile is maintained; or that are normally rebalanced to achieve matching of duration of assets and liabilities</li> <li>• Income streams come from interest income, fair value changes, and impairment losses</li> </ul>	<ul style="list-style-type: none"> <li>• Treasury Markets</li> </ul>	<ul style="list-style-type: none"> <li>• Derivatives</li> <li>• Debt securities</li> </ul>
<b>Fair value through profit or loss</b>	All other business objectives, including trading and managing financial assets on a fair value basis	<ul style="list-style-type: none"> <li>• Assets held for trading</li> <li>• Assets that are originated, purchased, and sold for profit taking or underwriting activity</li> <li>• Performance of the portfolio is evaluated on a fair value basis</li> <li>• Income streams are from fair value changes or trading gains or losses</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Markets</li> <li>• Syndication</li> <li>• All other business lines</li> </ul>	<ul style="list-style-type: none"> <li>• Derivatives</li> <li>• Trading portfolios</li> <li>• Financial Markets reverse repos</li> </ul>



### 13. Financial instruments continued

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows (“hold to collect”) are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (“Hold to collect and sell”) are classified as held at FVOCI.

Both hold to collect business and a hold to collect and sell business model involve holding financial assets to collect the contractual cash flows. However, the business models are distinct by reference to the frequency and significance that asset sales play in meeting the objective under which a particular group of financial assets is managed. Hold to collect business models are characterised by asset sales that are incidental to meeting the objectives under which a group of assets is managed. Sales of assets under a hold to collect business model can be made to manage increases in the credit risk of financial assets but sales for other reasons should be infrequent or insignificant.

Cash flows from the sale of financial assets under a hold to collect and sell business model by contrast are integral to achieving the objectives under which a particular group of financial assets are managed. This may be the case where frequent sales of financial assets are required to manage the Group’s daily liquidity requirements or to meet regulatory requirements to demonstrate liquidity of financial instruments. Sales of assets under hold to collect and sell business models are therefore both more frequent and more significant in value than those under the hold to collect model.

#### Equity instruments designated as held at FVOCI

Non-trading equity instruments acquired for strategic purposes rather than capital gain may be irrevocably designated at initial recognition as held at FVOCI on an instrument-by-instrument basis. Dividends received are recognised in profit or loss. Gains and losses arising from changes in the fair value of these instruments, including foreign exchange gains and losses, are recognised directly in equity and are never reclassified to profit or loss even on derecognition.

#### Financial assets and liabilities held at fair value through profit or loss

Financial assets which are not held at amortised cost or that are not held at FVOCI are held at fair value through profit or loss. Financial assets and liabilities held at fair value through profit or loss are either mandatorily classified fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

#### Mandatorily classified at fair value through profit or loss

Financial assets and liabilities which are mandatorily held at fair value through profit or loss are split between two subcategories as follows:

Trading, including:

- Financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short-term
- Derivatives

Non-trading mandatorily at fair value through profit or loss, including:

- Instruments in a business which has a fair value business model (see the Group’s business model assessment) which are not trading or derivatives;
- Hybrid financial assets that contain one or more embedded derivatives;
- Financial assets that would otherwise be measured at amortised cost or FVOCI but which do not have SPPI characteristics;
- Equity instruments that have not been designated as held at FVOCI
- Financial liabilities that constitute contingent consideration in a business combination

## 13. Financial instruments continued

### Designated at fair value through profit or loss

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis ('accounting mismatch').

Interest rate swaps have been acquired by the Group with the intention of significantly reducing interest rate risk on certain debt securities with fixed rates of interest. To significantly reduce the accounting mismatch between assets and liabilities and measurement bases, these debt securities have been designated at fair value through profit or loss.

Similarly, to reduce accounting mismatches, the Group has designated certain financial liabilities at fair value through profit or loss where the liabilities either:

- Have fixed rates of interest and interest rate swaps or other interest rate derivatives have been entered with the intention of significantly reducing interest rate risk; or
- Are exposed to foreign currency risk and derivatives have been acquired with the intention of significantly reducing exposure to market changes; or
- Have been acquired to fund trading asset portfolios or assets

Financial liabilities may also be designated at fair value through profit or loss where they are managed on a fair value basis or have an embedded derivative where the Group is not able to bifurcate and separately value the embedded derivative component.

### Financial liabilities held at amortised cost

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost.

Preference shares which carry a mandatory coupon that represents a market rate of interest at the issue date, or which are redeemable on a specific date or at the option of the shareholder are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

### Financial guarantee contracts and loan commitments

The Group issues financial guarantee contracts and loan commitments in return for fees. Financial guarantee contracts and any loan commitments issued at below-market interest rates are initially recognised at their fair value as a financial liability, and subsequently measured at the higher of the initial value less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers and their expected credit loss provision. Loan commitments may be designated at fair value through profit or loss where that is the business model under which such contracts are held.

### Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market to which the Group has access at the date. The fair value of a liability includes the risk that the bank will not be able to honour its obligations.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risk or credit risk, the fair value of the group of financial instruments is measured on a net basis.

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument, and for unlisted securities, is not active, the Group establishes fair value by using valuation techniques.

## 13. Financial instruments continued

### Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and debt securities classified as financial assets held at fair value through other comprehensive income are initially recognised on the trade-date (the date on which the Group commits to purchase or sell the asset). Loans and advances and other financial assets held at amortised cost are recognised on the settlement date (the date on which cash is advanced to the borrowers).

All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss.

In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses unobservable inputs, the difference between the transaction price and the valuation model is not recognised immediately in the income statement but is amortised or released to the income statement as the inputs become observable, or the transaction matures or is terminated.

### Subsequent measurement

#### Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest method (see Interest income and expense). Foreign exchange gains and losses are recognised in the income statement.

Where a financial instrument carried at amortised cost is the hedged item in a qualifying fair value hedge relationship, its carrying value is adjusted by the fair value gain or loss attributable to the hedged risk.

#### Financial assets held at FVOCI

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. Foreign exchange gains and losses on the amortised cost are recognised in income. Changes in expected credit losses are recognised in the profit or loss and are accumulated in equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss reserve, are transferred to the profit or loss.

Equity investments designated at FVOCI are subsequently carried at fair value with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. On derecognition, the cumulative reserve is transferred to retained earnings and is not recycled to profit or loss.

#### Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities mandatorily held at fair value through profit or loss and financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value, including contractual interest income or expense, recorded in the net trading income line in the profit or loss unless the instrument is part of a cash flow hedging relationship.

#### Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss are held at fair value, with changes in fair value recognised in the net trading income line in the profit or loss, other than that attributable to changes in credit risk. Fair value changes attributable to credit risk are recognised in other comprehensive income and recorded in a separate category of reserves unless this is expected to create or enlarge an accounting mismatch, in which case the entire change in fair value of the financial liability designated at fair value through profit or loss is recognised in profit or loss.

## 13. Financial instruments continued

### Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Group has retained control, the assets continue to be recognised to the extent of the Group's continuing involvement.

Where financial assets have been modified, the modified terms are assessed on a qualitative and quantitative basis to determine whether a fundamental change in the nature of the instrument has occurred, such as whether the derecognition of the pre-existing instrument and the recognition of a new instrument is appropriate.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss except for equity instruments elected FVOCI (see above) and cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income.

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires and this is evaluated both qualitatively and quantitatively. However, where a financial liability has been modified, it is derecognised if the difference between the modified cash flows and the original cash flows is more than 10 per cent, or if less than 10 per cent, the Group will perform a qualitative assessment to determine whether the terms of the two instruments are substantially different.

If the Group purchases its own debt, it is derecognised and the difference between the carrying amount of the liability and the consideration paid is included in 'Other income' except for the cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income which are never recycled to the profit or loss.

### Modified financial instruments

Financial assets and financial liabilities whose original contractual terms have been modified, including those loans subject to forbearance strategies, are considered to be modified instruments. Modifications may include changes to the tenor, cash flows and or interest rates among other factors.

Where derecognition of financial assets is appropriate (see Derecognition), the newly recognised residual loans are assessed to determine whether the assets should be classified as purchased or originated credit-impaired assets (POCI).

Where derecognition is not appropriate, the gross carrying amount of the applicable instruments is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate (or credit adjusted effective interest rate for POCI financial assets). The difference between the recalculated values and the pre-modified gross carrying values of the instruments are recorded as a modification gain or loss in the profit or loss.

Gains and losses arising from modifications for credit reasons are recorded as part of 'Credit impairment' (see Credit Impairment Policy). Modification gains and losses arising for non-credit reasons are recognised either as part of "Credit impairment" or within income depending on whether there has been a change in the credit risk on the financial asset subsequent to the modification. Modification gains and losses arising on financial liabilities are recognised within income. The movements in the applicable expected credit loss loan positions are disclosed in further detail in Risk Review.

Under the Phase 2 Interest Rate Benchmark Reform amendments to IFRS 9, changes to the basis for determining contractual cash flows as a direct result of interest rate benchmark reform are treated as changes to a floating interest rate to that instrument, provided that the transition from the IBOR benchmark rate to the alternative RFR takes place on an economically equivalent basis. Where the instrument is measured at amortised cost or FVOCI, this results in a change in the instrument's effective interest rate, with no change in the amortised cost value of the instrument. If the change to the instrument does not meet these criteria, the Group applies judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Group adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised effective interest rate.

### 13. Financial instruments continued

#### Reclassifications

Financial liabilities are not reclassified subsequent to initial recognition. Reclassifications of financial assets are made when, and only when, the business model for those assets changes. Such changes are expected to be infrequent and arise as a result of significant external or internal changes such as the termination of a line of business or the purchase of a subsidiary whose business model is to realise the value of pre-existing held for trading financial assets through a hold to collect model.

Financial assets are reclassified at their fair value on the date of reclassification and previously recognised gains and losses are not restated. Moreover, reclassifications of financial assets between financial assets held at amortised cost and financial assets held at fair value through other comprehensive income do not affect effective interest rate or expected credit loss computations.

#### Reclassified from amortised cost

Where financial assets held at amortised cost are reclassified to financial assets held at fair value through profit or loss, the difference between the fair value of the assets at the date of reclassification and the previously recognised amortised cost is recognised in profit or loss.

For financial assets held at amortised cost that are reclassified to fair value through other comprehensive income, the difference between the fair value of the assets at the date of reclassification and the previously recognised gross carrying value is recognised in other comprehensive income. Additionally, the related cumulative expected credit loss amounts relating to the reclassified financial assets are reclassified from loan loss provisions to a separate reserve in other comprehensive income at the date of reclassification.

#### Reclassified from fair value through other comprehensive income

Where financial assets held at fair value through other comprehensive income are reclassified to financial assets held at fair value through profit or loss, the cumulative gain or loss previously recognised in other comprehensive income is transferred to the profit or loss.

For financial assets held at fair value through other comprehensive income that are reclassified to financial assets held at amortised cost, the cumulative gain or loss previously recognised in other comprehensive income is adjusted against the fair value of the financial asset such that the financial asset is recorded at a value as if it had always been held at amortised cost. In addition, the related cumulative expected credit losses held within other comprehensive income are reversed against the gross carrying value of the reclassified assets at the date of reclassification.

#### Reclassified from fair value through profit or loss

Where financial assets held at fair value through profit or loss are reclassified to financial assets held at fair value through other comprehensive income or financial assets held at amortised cost, the fair value at the date of reclassification is used to determine the effective interest rate on the financial asset going forward. In addition, the date of reclassification is used as the date of initial recognition for the calculation of expected credit losses. Where financial assets held at fair value through profit or loss are reclassified to financial assets held at amortised cost, the fair value at the date of reclassification becomes the gross carrying value of the financial asset.

### 13. Financial instruments continued

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

Assets	Notes	Assets at fair value						Assets held at amortised cost \$million	Total \$million
		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		
Cash and balances at central banks		-	-	-	-	-	-	66,712	66,712
<b>Financial assets held at fair value through profit or loss</b>									
Loans and advances to banks <sup>1</sup>		1,552	-	2,325	-	-	3,877	-	3,877
Loans and advances to customers <sup>1</sup>		4,169	-	5,129	79	-	9,377	-	9,377
Reverse repurchase agreements and other similar secured lending	16	-	-	63,405	-	-	63,405	-	63,405
Debt securities, alternative tier one and other eligible bills		24,919	-	425	256	-	25,600	-	25,600
Equity shares		4,223	-	305	-	-	4,528	-	4,528
		<b>34,863</b>	<b>-</b>	<b>71,589</b>	<b>335</b>	<b>-</b>	<b>106,787</b>	<b>-</b>	<b>106,787</b>
Derivative financial instruments	14	67,826	1,641	-	-	-	69,467	-	69,467
Loans and advances to banks <sup>1</sup>	15	-	-	-	-	-	-	44,347	44,347
of which – reverse repurchase agreements and other similar secured lending	16	-	-	-	-	-	-	1,247	1,247
Loans and advances to customers <sup>1</sup>	15	-	-	-	-	-	-	281,699	281,699
of which – reverse repurchase agreements and other similar secured lending	16	-	-	-	-	-	-	2,919	2,919
<b>Investment securities</b>									
Debt securities, alternative tier one and other eligible bills		-	-	-	-	133,381	133,381	19,480	152,861
Equity shares		-	-	-	-	454	454	-	454
		-	-	-	-	133,835	133,835	19,480	153,315
Other assets	20	-	-	-	-	-	-	40,978	40,978
Assets held for sale	21	-	-	-	5	-	5	83	88
<b>Total at 31 December 2020</b>		<b>102,689</b>	<b>1,641</b>	<b>71,589</b>	<b>340</b>	<b>133,835</b>	<b>310,094</b>	<b>453,299</b>	<b>763,393</b>

1 Further analysed in Risk review and Capital review (pages 185 to 283)

### 13. Financial instruments continued

Assets	Notes	Assets at fair value							Assets held at amortised cost \$million	Total \$million
		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			
Cash and balances at central banks		-	-	-	-	-	-	-	52,728	52,728
<b>Financial assets held at fair value through profit or loss</b>										
Loans and advances to banks <sup>1</sup>		198	-	3,330	-	-	-	3,528	-	3,528
Loans and advances to customers <sup>1</sup>		2,886	-	4,010	-	-	-	6,896	-	6,896
Reverse repurchase agreements and other similar secured lending	16	-	-	57,604	-	-	-	57,604	-	57,604
Debt securities, alternative tier one and other eligible bills		21,877	-	166	278	-	-	22,321	-	22,321
Equity shares <sup>2</sup>		2,208	-	261	-	-	-	2,469	-	2,469
		27,169	-	65,371	278	-	-	92,818	-	92,818
Derivative financial instruments	14	46,424	788	-	-	-	-	47,212	-	47,212
Loans and advances to banks <sup>1</sup>	15	-	-	-	-	-	-	-	53,549	53,549
of which – reverse repurchase agreements and other similar secured lending	16	-	-	-	-	-	-	-	1,341	1,341
Loans and advances to customers <sup>1</sup>	15	-	-	-	-	-	-	-	268,523	268,523
of which – reverse repurchase agreements and other similar secured lending	16	-	-	-	-	-	-	-	1,469	1,469
<b>Investment securities</b>										
Debt securities, alternative tier one and other eligible bills		-	-	-	-	-	129,471	129,471	13,969	143,440
Equity shares		-	-	-	-	-	291	291	-	291
		-	-	-	-	-	129,762	129,762	13,969	143,731
Other assets	20	-	-	-	-	-	-	-	36,161	36,161
Assets held for sale	21	-	-	87	243	-	-	330	90	420
<b>Total at 31 December 2019</b>		<b>73,593</b>	<b>788</b>	<b>65,458</b>	<b>521</b>	<b>129,762</b>	<b>270,122</b>	<b>425,020</b>	<b>695,142</b>	

1 Further analysed in Risk review and Capital review (pages 185 to 283)

2 Prior year figures have been restated as the investments in Private Equity has been reclassified from designated at fair value to Non-Trading FVTPL category to reflect correct classification of portfolio

### 13. Financial instruments continued

Liabilities	Notes	Liabilities at fair value				Amortised cost \$million	Total \$million
		Trading \$million	Derivatives held for hedging \$million	Designated at fair value through profit or loss \$million	Total financial liabilities at fair value \$million		
<b>Financial liabilities held at fair value through profit or loss</b>							
Deposits by banks		-	-	1,249	1,249	-	1,249
Customer accounts		-	-	8,897	8,897	-	8,897
Repurchase agreements and other similar secured borrowing	16	-	-	48,662	48,662	-	48,662
Debt securities in issue	22	-	-	5,811	5,811	-	5,811
Short positions		3,754	-	-	3,754	-	3,754
		3,754	-	64,619	68,373	-	68,373
Derivative financial instruments	14	69,790	1,743	-	71,533	-	71,533
Deposits by banks		-	-	-	-	30,255	30,255
Customer accounts		-	-	-	-	439,339	439,339
Repurchase agreements and other similar secured borrowing	16	-	-	-	-	1,903	1,903
Debt securities in issue	22	-	-	-	-	55,550	55,550
Other liabilities	23	-	-	-	-	47,228	47,228
Subordinated liabilities and other borrowed funds	27	-	-	-	-	16,654	16,654
Total at 31 December 2020		73,544	1,743	64,619	139,906	590,929	730,835

Liabilities	Notes	Liabilities at fair value				Amortised cost \$million	Total \$million
		Trading \$million	Derivatives held for hedging \$million	Designated at fair value through profit or loss \$million	Total financial liabilities at fair value \$million		
<b>Financial liabilities held at fair value through profit or loss</b>							
Deposits by banks		-	-	1,081	1,081	-	1,081
Customer accounts		-	-	6,947	6,947	-	6,947
Repurchase agreements and other similar secured borrowing	16	-	-	46,283	46,283	-	46,283
Debt securities in issue	22	-	-	8,510	8,510	-	8,510
Short positions		4,153	-	-	4,153	-	4,153
		4,153	-	62,821	66,974	-	66,974
Derivative financial instruments	14	46,906	1,578	-	48,484	-	48,484
Deposits by banks		-	-	-	-	28,562	28,562
Customer accounts		-	-	-	-	405,357	405,357
Repurchase agreements and other similar secured borrowing	16	-	-	-	-	1,935	1,935
Debt securities in issue	22	-	-	-	-	53,025	53,025
Other liabilities	23	-	-	-	-	41,149	41,149
Subordinated liabilities and other borrowed funds	27	-	-	-	-	16,207	16,207
Total at 31 December 2019		51,059	1,578	62,821	115,458	546,235	661,693



### 13. Financial instruments continued

#### Interest rate benchmark reform

The Group has elected to early-adopt the 'Interest Rate Benchmark Reform – Phase 2' amendments to IFRS for the year ending 31 December 2020, which apply to a financial instrument when its benchmark interest rate, such as USD LIBOR, is either replaced with an alternative risk-free rate (RFR) or the benchmark itself is reformed so that it depends on actual market transactions instead of panel bank submissions. Please refer to the accounting policy for modified financial instruments on page 331 which explains how the Group accounts for changes to a financial instrument as a result of interest rate benchmark reform.

The Group also applies the 'Interest Rate Benchmark Reform – Phase 1' amendments, and the Phase 2 reliefs contain additional reliefs for hedge accounting. These are discussed in Note 14.

As at 31 December 2020 the Group had the following notional principal exposures to interest rate benchmarks that are expected to be subject to interest rate benchmark reform. The Group has excluded financial instruments maturing before 31 December 2021 as it is assumed that these will not require reform, due to the expectation that the IBOR benchmarks the Group is exposed to will be published until at least this date.

IBOR exposures by benchmark	USD LIBOR \$million	EUR LIBOR \$million	GBP LIBOR \$million	JPY LIBOR \$million	CHF LIBOR \$million	EONIA \$million	SGD SOR \$million	THB FIX \$million	Total IBOR \$million
<b>Assets</b>									
Loans and advances to banks	1,072	-	55	-	-	-	-	-	1,127
Loans and advances to customers	34,143	727	2,861	134	44	-	2,011	33	39,953
Debt securities, AT1 and other eligible bills	3,984	170	1,409	-	-	-	365	-	5,928
	39,199	897	4,325	134	44	-	2,376	33	47,008
<b>Liabilities</b>									
Deposits by banks	399	-	-	-	-	-	-	-	399
Customer accounts	4,239	-	19	189	-	-	2	42	4,491
Repurchase agreements and other secured borrowing	1,195	-	-	-	-	-	-	-	1,195
Debt securities in issue	2,159	-	-	-	-	-	-	-	2,159
Subordinated liabilities and other borrowed funds	160	-	15	-	-	-	-	-	175
	8,152	-	34	189	-	-	2	42	8,419
<b>Derivatives – Foreign exchange contracts</b>									
Currency swaps and options	202,086	-	34,205	14,969	6,634	55	5,125	1,998	265,072
<b>Derivatives – Interest rate contracts</b>									
Swaps	839,653	73	104,763	25,328	13,402	4,850	72,849	27,013	1,087,931
Forward rate agreements and options	21,634	-	523	2,527	-	-	76	55	24,815
Exchange traded futures and options	63,239	-	1,445	-	-	-	-	-	64,684
Equity and stock index options	75	-	2	-	-	-	-	-	77
Credit derivative contracts	4,466	-	-	-	-	-	-	134	4,600
<b>Total IBOR derivative exposure</b>	<b>1,131,153</b>	<b>73</b>	<b>140,938</b>	<b>48,824</b>	<b>20,036</b>	<b>4,905</b>	<b>78,050</b>	<b>29,200</b>	<b>1,447,179</b>
<b>Total IBOR exposure</b>	<b>1,178,504</b>	<b>970</b>	<b>145,297</b>	<b>43,147</b>	<b>20,080</b>	<b>4,905</b>	<b>80,428</b>	<b>29,275</b>	<b>1,502,606</b>

Additionally, the Group had off-balance sheet exposures in respect of partially undrawn credit lines that reference an IBOR benchmark. The table below only includes the undrawn portion of existing facilities that are known to reference at least one IBOR benchmark; it does not include facilities that have yet to be drawn down and not known whether the customer may choose to borrow funds linked to an IBOR benchmark.

Off-balance sheet IBOR exposures	\$million
USD LIBOR	7,176
EUR LIBOR	88
GBP LIBOR	763
CHF LIBOR	56
SGD SOR	206
THB FIX	1
Multi-currency facilities referencing LIBOR	1,352
Total off-balance sheet IBOR exposures	9,642

'Multi-currency facilities referencing LIBOR' are facilities where the customer has a choice of two or more floating rates to draw down on and at least one of the floating rates available is a LIBOR benchmark.

### 13. Financial instruments continued

#### Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In practice, for credit mitigation, the Group is able to offset assets and liabilities which do not meet the IAS 32 netting criteria set out below. Such arrangements include master netting arrangements for derivatives and global master repurchase agreements for repurchase and reverse repurchase transactions. These agreements generally allow that all outstanding transactions with a particular counterparty can be offset but only in the event of default or other predetermined events.

In addition, the Group also receives and pledges readily realisable collateral for derivative transactions to cover net exposure in the event of a default. Under repurchase and reverse repurchase agreements the Group pledges (legally sells) and obtains (legally purchases) respectively, highly liquid assets which can be sold in the event of a default.

The following tables set out the impact of netting on the balance sheet. This comprises derivative transactions settled through an enforceable netting agreement where we have the intent and ability to settle net and which are offset on the balance sheet.

	2020					
	Gross amounts of recognised financial instruments \$million	Impact of offset in the balance sheet \$million	Net amounts of financial instruments presented in the balance sheet \$million	Related amount not offset in the balance sheet		Net amount \$million
				Financial instruments \$million	Financial collateral \$million	
<b>Assets</b>						
Derivative financial instruments	111,979	(42,512)	69,467	(47,097)	(10,136)	12,234
Reverse repurchase agreements and other similar secured lending	75,490	(7,919)	67,571	-	(67,571)	-
At 31 December 2020	187,469	(50,431)	137,038	(47,097)	(77,707)	12,234
<b>Liabilities</b>						
Derivative financial instruments	114,045	(42,512)	71,533	(47,097)	(11,757)	12,679
Repurchase agreements and other similar secured borrowing	58,484	(7,919)	50,565	-	(50,565)	-
At 31 December 2020	172,529	(50,431)	122,098	(47,097)	(62,322)	12,679

	2019					
	Gross amounts of recognised financial instruments \$million	Impact of offset in the balance sheet \$million	Net amounts of financial instruments presented in the balance sheet \$million	Related amount not offset in the balance sheet		Net amount \$million
				Financial instruments \$million	Financial collateral \$million	
<b>Assets</b>						
Derivative financial instruments	63,854	(16,642)	47,212	(28,659)	(7,824)	10,729
Reverse repurchase agreements and other similar secured lending	63,535	(3,121)	60,414	-	(60,414)	-
At 31 December 2019	127,389	(19,763)	107,626	(28,659)	(68,238)	10,729
<b>Liabilities</b>						
Derivative financial instruments	65,126	(16,642)	48,484	(28,659)	(9,169)	10,656
Repurchase agreements and other similar secured borrowing	51,339	(3,121)	48,218	-	(48,218)	-
At 31 December 2019	116,465	(19,763)	96,702	(28,659)	(57,387)	10,656

Related amounts not offset in the balance sheet comprises:

- Financial instruments not offset in the balance sheet but covered by an enforceable netting arrangement. This comprises master netting arrangements held against derivative financial instruments and excludes the effect of over-collateralisation
- Financial instruments where a legal opinion evidencing enforceability of the right of offset may not have been sought, or may have been unable to obtain
- Financial collateral comprises cash collateral pledged and received for derivative financial instruments and collateral bought and sold for reverse repurchase and repurchase agreements respectively and excludes the effect of over-collateralisation

### 13. Financial instruments continued

Financial liabilities designated at fair value through profit or loss

	2020 \$million	2019 \$million
Carrying balance aggregate fair value	64,619	62,821
Amount contractually obliged to repay at maturity	64,405	62,505
Difference between aggregate fair value and contractually obliged to repay at maturity	214	316
Cumulative change in fair value accredited to credit risk difference	(43)	17

During 2020, the Group enhanced its valuation methodology for financial liabilities designated at fair value through profit or loss. The financial impact of the revision in methodology is a loss of \$56 million in net trading income and a loss in other comprehensive income of \$78 million. These impacts are treated as a change in accounting estimate.

The net fair value loss on financial liabilities designated at fair value through profit or loss was \$247 million for the year (31 December 2019: net loss of \$1,602 million). Further details of the Group's own credit adjustment (OCA) valuation technique is described later in this Note.

#### Valuation of financial instruments

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments held by the Group. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non market observable inputs. Valuation techniques used include discounted cash flow analysis and pricing models and, where appropriate, comparison with instruments that have characteristics similar to those of the instruments held by the Group.

The Valuation Control 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 Control function has oversight of the fair value adjustments to ensure the financial instruments are priced to exit. These are key controls in ensuring the material accuracy of the valuations incorporated in the financial statements. The market data used for price verification may include data sourced from recent trade data involving external counterparties or third parties such as Bloomberg, Reuters, brokers and consensus pricing providers. Valuation Control performs a semi-annual review of the suitability of the market data used for price testing. Price verification uses independently sourced data that is deemed most representative of the market the instruments trade in. To determine the quality of the market data inputs, factors such as independence, relevance, reliability, availability of multiple data sources and methodology employed by the pricing provider are taken into consideration.

The Valuation and Benchmarks Committee (VBC) is the valuation governance forum consisting of representatives from Group Market Risk, Product Control, Valuation Control and the business, which meets monthly to discuss and approve the independent valuations of the inventory. For Principal Finance, the Investment Committee meeting is held on a quarterly basis to review investments and valuations.

#### Significant accounting estimates and judgements

The Group evaluates the significance of financial instruments and material accuracy of the valuations incorporated in the financial statements as they involve a high degree of judgement and estimation uncertainty in determining the carrying values of financial assets and liabilities at the balance sheet date.

- Fair value of financial instruments is determined using valuation techniques and estimates (see below) which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Changes in the observability of significant valuation inputs can materially affect the fair values of financial instruments
- When establishing the exit price of a financial instrument using a valuation technique, the Group estimates valuation adjustments in determining the fair value (page 339)
- In determining the valuation of financial instruments, the Group makes judgements on the amounts reserved to cater for model and valuation risks, which cover both Level 2 and Level 3 assets, and the significant valuation judgements in respect of Level 3 instruments (page 341)
- 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

## 13. Financial instruments continued

### Valuation techniques

Refer to the fair value hierarchy explanation – Level 1, 2 and 3 (page 341)

#### • Financial instruments held at fair value

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

### 13. Financial instruments continued

#### • Financial instruments held at amortised cost

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

- **Cash and balances at central banks:** The fair value of cash and balances at central banks is their carrying amounts
- **Debt securities in issue, subordinated liabilities and other borrowed funds:** The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current market related yield curve appropriate for the remaining term to maturity
- **Deposits and borrowings:** The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using the prevailing market rates for debts with a similar Credit Risk and remaining maturity
- **Investment securities:** For investment securities that do not have directly observable market values, the Group utilises a number of valuation techniques to determine fair value. Where available, securities are valued using input proxies from the same or closely related underlying (for example, bond spreads from the same or closely related issuer) or input proxies from a different underlying (for example, a similar bond but using spreads for a particular sector and rating). Certain instruments cannot be proxies as set out above, and in such cases the positions are valued using non-market observable inputs. This includes those instruments held at amortised cost and predominantly relates to asset-backed securities. The fair value for such instruments is usually proxies from internal assessments of the underlying cash flows
- **Loans and advances to banks and customers:** For loans and advances to banks, the fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using the prevailing money market rates for debts with a similar Credit Risk and remaining maturity. The Group's loans and advances to customers' portfolio is well diversified by geography and industry. Approximately a quarter of the portfolio re-prices within one month, and approximately half re-prices within 12 months. Loans and advances are presented net of provisions for impairment. The fair value of loans and advances to customers with a residual maturity of less than one year generally approximates the carrying value. The estimated fair value of loans and advances with a residual maturity of more than one year represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates and Credit Risk. Expected cash flows are discounted at current market rates to determine fair value. The Group has a wide range of individual instruments within its loans and advances portfolio and as a result providing quantification of the key assumptions used to value such instruments is impractical
- **Other assets:** Other assets comprise primarily of cash collateral and trades pending settlement. The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are either short-term in nature or re-price to current market rates frequently

#### 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:

	01.01.2020 \$million	Movement during the year \$million	31.12.20 \$million	01.01.2019 \$million	Movement during the year \$million	31.12.19 \$million
Bid-offer valuation adjustment	79	24	103	67	12	79
Credit valuation adjustment	136	53	189	196	(60)	136
Debit valuation adjustment	(43)	(12)	(55)	(143)	100	(43)
Model valuation adjustment	7	(2)	5	6	1	7
Funding valuation adjustment	26	(21)	5	60	(34)	26
Other fair value adjustments	45	(13)	32	59	(14)	45
<b>Total</b>	<b>250</b>	<b>29</b>	<b>279</b>	<b>245</b>	<b>5</b>	<b>250</b>
Income deferrals						
Day 1 and other deferrals	103	35	138	100	3	103
<b>Total</b>	<b>103</b>	<b>35</b>	<b>138</b>	<b>100</b>	<b>3</b>	<b>103</b>

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

### 13. Financial instruments continued

- **Credit valuation adjustment (CVA):** The Group accounts for CVA against the fair value of derivative products. CVA is an adjustment to the fair value of the transactions to reflect the possibility that our counterparties may default and we may not receive the full market value of the outstanding transactions. It represents an estimate of the adjustment a market participant would include when deriving a purchase price to acquire our exposures. CVA is calculated for each subsidiary, and within each entity for each counterparty to which the entity has exposure and takes account of any collateral we may hold. The Group calculates the CVA by using estimates of future positive exposure, market-implied probability of default (PD) and recovery rates. Where market-implied data is not readily available, we use market-based proxies to estimate the PD. Wrong-way risk occurs when the exposure to a counterparty is adversely correlated with the credit quality of that counterparty, and the Group has implemented a model to capture this impact for key wrong-way exposures. The Group also captures the uncertainties associated with wrong-way risk in the Group's Prudential Valuation Adjustments framework
- **Debit valuation adjustment (DVA):** The Group calculates DVA adjustments on its derivative liabilities to reflect changes in its own credit standing. The Group's DVA adjustments will increase if its credit standing worsens and conversely, decrease if its credit standing improves. For derivative liabilities, a DVA adjustment is determined by applying the Group's probability of default to the Group's negative expected exposure against the counterparty. The Group's probability of default and loss expected in the event of default is derived based on bond and CDS spreads associated with the Group's issuances and market standard recovery levels. The expected exposure is modelled based on the simulation of the underlying risk factors over the expected life of the deal. This simulation methodology incorporates the collateral posted by the Group and the effects of master netting agreements
- **Model valuation adjustment:** Valuation models may have pricing deficiencies or limitations that require a valuation adjustment. These pricing deficiencies or limitations arise due to the choice, implementation and calibration of the pricing model
- **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 may be based on a valuation technique which differs to the transaction price at the time of initial recognition. However, gains can only be recognised when the valuation technique used is based primarily on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement. The difference is amortised to the income statement until the inputs become observable, or the transaction matures or is terminated. Other deferrals primarily represent adjustments taken to reflect the specific terms and conditions of certain derivative contracts which affect the termination value at the measurement date

In addition, the Group calculates own credit adjustment (OCA) on its issued debt designated at fair value, including structured notes, in order to reflect changes in its own credit standing. Own issued note liabilities are discounted utilising spreads as at the measurement date. These spreads consist of a market level of funding component and an idiosyncratic own credit component. Under IFRS 9 the change in the own credit component (OCA) is reported under other comprehensive income. The Group's OCA reserve will increase if its credit standing worsens and conversely, decrease if its credit standing improves. The Group's OCA reserve will reverse over time as its liabilities mature. The OCA at 31 December 2020 is a loss of \$43 million (31 December 2019: \$17million 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 as at the end of the reporting period.

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

### 13. Financial instruments continued

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

Assets	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
<b>Financial instruments held at fair value through profit or loss</b>				
Loans and advances to banks	–	3,677	200	3,877
Loans and advances to customers	–	8,659	718	9,377
Reverse repurchase agreements and other similar secured lending	–	62,341	1,064	63,405
Debt securities and other eligible bills	9,453	15,889	258	25,600
Of which:				
Government bonds and treasury bills	8,904	7,929	–	16,833
Issued by corporates other than financial institutions <sup>1</sup>	49	3,880	256	4,185
Issued by financial institutions <sup>1</sup>	500	4,080	2	4,582
Equity shares	3,657	592	279	4,528
Derivative financial instruments	473	68,986	8	69,467
Of which:				
Foreign exchange	111	54,533	3	54,647
Interest rate	36	11,788	2	11,826
Credit	–	1,700	2	1,702
Equity and stock index options	–	109	1	110
Commodity	326	856	–	1,182
<b>Investment securities</b>				
Debt securities and other eligible bills	68,280	65,061	40	133,381
Of which:				
Government bonds and treasury bills	52,771	27,171	40	79,982
Issued by corporates other than financial institutions <sup>1</sup>	6,229	9,498	–	15,727
Issued by financial institutions <sup>1</sup>	9,280	28,392	–	37,672
Equity shares	68	5	381	454
Total financial instruments at 31 December 2020 <sup>2</sup>	81,931	225,210	2,948	310,089
<b>Liabilities</b>				
<b>Financial instruments held at fair value through profit or loss</b>				
Deposits by banks	–	1,103	146	1,249
Customer accounts	–	8,876	21	8,897
Repurchase agreements and other similar secured borrowing	–	48,662	–	48,662
Debt securities in issue	–	5,651	160	5,811
Short positions	2,573	1,181	–	3,754
Derivative financial instruments	413	71,001	119	71,533
Of which:				
Foreign exchange	115	56,968	2	57,085
Interest rate	11	10,387	26	10,424
Credit	–	2,904	86	2,990
Equity and stock index options	–	255	5	260
Commodity	287	487	–	774
Total financial instruments at 31 December 2020 <sup>2</sup>	2,986	136,474	446	139,906

1 Includes covered bonds of \$7,216 million, securities issued by Multilateral Development Banks/International Organisations of \$10,870 million and State-owned agencies and development banks of \$15,606 million

2 The above table does not include held for sale assets of \$5 million and liabilities of \$nil. These are reported in Note 21 together with their fair value hierarchy

There were no significant changes to valuation or levelling approaches in 2020.

There were no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the year.



### 13. Financial instruments continued

Assets	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
<b>Financial instruments held at fair value through profit or loss</b>				
Loans and advances to banks	–	3,163	365	3,528
Loans and advances to customers	–	6,453	443	6,896
Reverse repurchase agreements and other similar secured lending	–	57,604	–	57,604
Debt securities and other eligible bills	5,963	16,158	200	22,321
Of which:				
Government bonds and treasury bills	5,656	7,898	–	13,554
Issued by corporates other than financial institutions <sup>1</sup>	7	5,090	200	5,297
Issued by financial institutions <sup>1</sup>	300	3,170	–	3,470
Equity shares	2,241	–	228	2,469
Derivative financial instruments	466	46,729	17	47,212
Of which:				
Foreign exchange	69	25,929	8	26,006
Interest rate	28	19,342	4	19,374
Credit	–	1,231	1	1,232
Equity and stock index options	–	23	4	27
Commodity	369	204	–	573
<b>Investment securities</b>				
Debt securities and other eligible bills	73,699	55,734	38	129,471
Of which:				
Government bonds and treasury bills	54,637	19,664	33	74,334
Issued by corporates other than financial institutions <sup>1</sup>	11,667	14,505	5	26,177
Issued by financial institutions <sup>1</sup>	7,395	21,565	–	28,960
Equity shares	30	4	257	291
Total financial instruments at 31 December 2019 <sup>2</sup>	82,399	185,845	1,548	269,792
<b>Liabilities</b>				
<b>Financial instruments held at fair value through profit or loss</b>				
Deposits by banks	–	1,025	56	1,081
Customer accounts	–	6,907	40	6,947
Repurchase agreements and other similar secured borrowing	–	46,283	–	46,283
Debt securities in issue	–	8,100	410	8,510
Short positions	2,499	1,654	–	4,153
Derivative financial instruments	515	47,912	57	48,484
Of which:				
Foreign exchange	97	26,824	5	26,926
Interest rate	31	18,891	9	18,931
Credit	–	1,892	23	1,915
Equity and stock index options	–	76	20	96
Commodity	387	229	–	616
Total financial instruments at 31 December 2019 <sup>2</sup>	3,014	111,881	563	115,458

1 Includes covered bonds of \$6,137 million (represented from \$3,499 million), securities issued by Multilateral Development Banks/International Organisations of \$11,894 million and State-owned agencies and development banks of \$17,936 million

2 The above table does not include held for sale assets of \$330 million and liabilities of \$nil. These are reported in Note 21 together with their fair value hierarchy



### 13. Financial instruments continued

#### Fair value hierarchy – financial instruments measured at amortised cost

The following table shows the carrying amounts and incorporates the Group's estimate of fair values of those financial assets and liabilities not presented on the Group's balance sheet at fair value. These fair values may be different from the actual amount that will be received or paid on the settlement or maturity of the financial instrument. For certain instruments, the fair value may be determined using assumptions for which no observable prices are available.

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

	Carrying value \$million	Fair value			Total \$million
		Level 1 \$million	Level 2 \$million	Level 3 \$million	
<b>Assets</b>					
Cash and balances at central banks <sup>1</sup>	52,728	–	52,728	–	52,728
Loans and advances to banks	53,549	–	53,431	–	53,431
of which – reverse repurchase agreements and other similar secured lending	1,341	–	1,356	–	1,356
Loans and advances to customers	268,523	–	22,829	246,632	269,461
of which – reverse repurchase agreements and other similar secured lending	1,469	–	1,341	130	1,471
Investment securities <sup>2</sup>	13,969	–	14,238 <sup>3</sup>	20	14,261
Other assets <sup>1</sup>	36,161	–	36,161	–	36,161
Assets held for sale	90	–	70	20	90
At 31 December 2019	425,020	–	179,457	246,672	426,132
<b>Liabilities</b>					
Deposits by banks	28,562	–	28,577	–	28,577
Customer accounts	405,357	–	405,361	–	405,361
Repurchase agreements and other similar secured borrowing	1,935	–	1,935	–	1,935
Debt securities in issue	53,025	20,031	33,269	–	53,300
Subordinated liabilities and other borrowed funds	16,207	15,986	803	–	16,789
Other liabilities <sup>1</sup>	41,149	–	41,149	–	41,149
At 31 December 2019	546,235	36,017	511,094	–	547,111

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 \$ 7,371 million at 31 December 2020 and \$5,973 million at 31 December 2019

3 Fair value of investment securities restated from \$13,107 million to \$14,238 million as a result of an observable price in the market now being used

### 13. Financial instruments continued

#### Loans and advances to customers by client segment<sup>1</sup>

	2020					
	Carrying value			Fair value		
	Stage 3 \$million	Stage 1 and stage 2 \$million	Total \$million	Stage 3 \$million	Stage 1 and stage 2 \$million	Total \$million
Corporate & Institutional Banking	2,441	106,513	108,954	2,487	106,316	108,803
Retail Banking	604	114,941	115,545	610	114,737	115,347
Commercial Banking	601	23,902	24,503	622	23,645	24,267
Private Banking	227	13,321	13,548	228	13,342	13,570
Central & other items	–	19,149	19,149	–	19,149	19,149
At 31 December 2020	3,873	277,826	281,699	3,947	277,189	281,136

	2019 (Restated)					
	Carrying value			Fair value		
	Stage 3 \$million	Stage 1 and stage 2 <sup>2</sup> \$million	Total \$million	Stage 3 \$million	Stage 1 and stage 2 \$million	Total \$million
Corporate & Institutional Banking	1,193	107,459	108,652	1,244	109,996	111,240
Retail Banking	472	106,466	106,938	482	106,939	107,421
Commercial Banking	510	27,584	28,094	541	25,463	26,004
Private Banking	219	14,522	14,741	219	14,471	14,690
Central & other items	–	10,098	10,098	–	10,106	10,106
At 31 December 2019	2,394	266,129	268,523	2,486	266,975	269,461

1 Loans and advances includes reverse repurchase agreements and other similar secured lending: carrying value \$2,919 million and fair value \$2,922 million (31 December 2019: \$1,469 million and \$1,471 million respectively)

2 Corporate & Institutional Banking, Commercial Banking and Retail Banking carrying value numbers have been restated to reflect client transfers between the segments. The changes are in stage 1 and stage 2 only

### 13. Financial instruments continued

#### Fair value of financial instruments

##### Level 3 Summary and significant unobservable inputs

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

Instrument	Value as at 31 December 2020		Principal valuation technique	Significant unobservable inputs	Range <sup>1</sup>	Weighted average <sup>2</sup>
	Assets \$million	Liabilities \$million				
Loans and advances to Banks	200	-	Discounted cash flows	Price/yield	12.7%-12.9%	12.8%
Loans and advances to customers	718	-	Discounted cash flows	Price/yield	0.9% - 11.5%	4.6%
				Recovery rates	34.2% - 100%	83.4%
Reverse repurchase agreements and other similar secured lending	1,064	-	Discounted cash flows	Repo curve	1.0%-3.2%	2.8%
Debt securities, alternative tier one and other eligible securities	171	-	Discounted cash flows	Price/yield	4.7%-11.5%	10.5%
Government bonds and treasury bills	40	-	Discounted cash flows	Price/yield	2.8% - 5.5%	3.6%
Asset-backed securities	87	-	Discounted cash flows	Price/yield	8.3%-12.0%	11.7%
				Recovery rates	55.0%	55.0%
Equity shares (includes private equity investments)	660	-	Comparable pricing/ yield	EV/EBITDA multiples	3.3x - 14.2x	8.7x
				P/E multiples	N/A	N/A
				P/B multiples	0.5x - 2.0x	0.7x
				P/S multiples	N/A	N/A
				Liquidity discount	20.0%	20.0%
			Discounted cash flows	Discount rates	6.0% - 15.0%	9.1%
			Option pricing model	Equity value based on EV/Revenue multiples	13.5x - 130.9x	114.9x
Derivative financial instruments of which:						
Foreign exchange	3	2	Option pricing model	Foreign exchange option implied volatility	N/A	N/A
			Discounted cash flows	Foreign exchange curves	2.7%-5.6%	4.1%
Interest rate	2	26	Discounted cash flows	Interest rate curves	(5.2)%-18.6%	10.0%
			Option pricing model	Bond option implied volatility	20.0%-30.0%	24.2%
Credit	2	86	Discounted cash flows	Credit spreads	2.0%	2.0%
				Price/yield	0.9%-12.0%	11.2%
Equity and stock index	1	5	Internal pricing model	Equity correlation	20.0% - 90.0%	49.0%
				Equity-FX correlation	(70.0)% -80.0%	(59.0)%
Deposits by banks	-	146	Discounted cash flows	Credit spreads	1.0% - 1.4%	1.1%
				Bond option implied volatility	N/A	N/A
Customer accounts	-	21	Discounted cash flows	Credit spreads	1.0%	1.0%
				Interest rate curves	(0.4)% - 7.7%	3.9%
				Recovery rates	55.0%	55.0%
Debt securities in issue	-	160	Discounted cash flows	Credit spreads	0.1% - 11.5%	2.3%
			Internal pricing model	Equity correlation	20.0% - 90.0%	49.0%
				Equity-FX correlation	(70.0)% -80.0%	(59.0)%
<b>Total</b>	<b>2,948</b>	<b>446</b>				

1 The ranges of values shown in the above table represent the highest and lowest levels used in the valuation of the Group's Level 3 financial instruments as at 31 December 2020. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments

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

## 13. Financial instruments continued

### Level 3 Summary and significant unobservable inputs continued

Instrument	Value as at 31 December 2019		Principal valuation technique	Significant unobservable inputs	Range <sup>1</sup>	Weighted average <sup>2</sup>
	Assets \$million	Liabilities \$million				
Loans and advances to Banks	365	-	Discounted cash flows	Price/yield	1.0%–15.6%	10.8%
Loans and advances to customers	443	-	Discounted cash flows	Price/yield	0.5% – 6.9%	4.2%
				Recovery rates	18.9% – 100%	92.1%
Debt securities, alternative tier one and other eligible securities	184	-	Discounted cash flows	Price/yield	3.8% – 18.7%	11.6%
Government bonds and treasury bills	33	-	Discounted cash flows	Price/yield	2.9% – 5.5%	3.7%
Asset-backed securities	21	-	Discounted cash flows	Price/yield	1.4% – 3.2%	2.7%
Equity shares (includes private equity investments) <sup>3</sup>	485	-	Comparable pricing/ yield	EV/EBITDA multiples	3.5x – 7.3x	4.6x
				P/E multiples	17.4x	17.4x
				P/B multiples	0.6x – 1.0x	0.9x
				P/S multiples	N/A	N/A
				Liquidity discount	10.0% – 20.0%	15.9%
			Discounted cash flows	Discount rates	8.4% – 16.2%	9.5%
Derivative financial instruments of which:						
Foreign exchange	8	5	Option pricing model	Foreign exchange option implied volatility	4.4% – 18.9%	16.7%
			Discounted cash flows	Foreign exchange curves	7.8% – 8.0%	7.9%
Interest rate	4	9	Discounted cash flows	Interest rate curves	5.3% – 19.6%	8.6%
			Option pricing model	Bond option implied volatility	17.0% – 28.0%	24.0%
Credit	1	23	Discounted cash flows	Credit spreads	1.0% – 7.9%	1.1%
Equity and stock index	4	20	Internal pricing model	Equity correlation	1.0% – 90.0%	58.0%
				Equity-FX correlation	(80.0)% – 70.0%	(29.0)%
Deposits by banks	-	56	Discounted cash flows	Credit spreads	1.0% – 1.8%	1.4%
Customer accounts	-	40	Discounted cash flows	Credit spreads	1.0% – 5.8%	2.7%
Debt securities in issue	-	410	Discounted cash flows	Credit spreads	0.1% – 1.4%	0.9%
			Internal pricing model	Equity correlation	1.0% – 90.0%	58.0%
				Equity-FX correlation	(80.0)% – 70.0%	(29.0)%
<b>Total</b>	<b>1,548</b>	<b>563</b>				

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 2019. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments

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

3 The Group has an equity investment in the Series B preferred shares of Ripple Labs, Inc., which owns a digital currency (XRP) and is being carried at a fair value based on the shares' initial offering price

## 13. Financial instruments continued

### Level 3 Summary and significant unobservable inputs continued

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

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

### 13. Financial instruments continued

#### Level 3 movement tables – financial assets

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

Assets	Held at fair value through profit or loss					Investment securities				Total \$million
	Loans and advances to banks \$million	Loans and advances to customers \$million	Reverse repurchase agreements and other similar secured lending \$million	Debt securities, alternative tier one and other eligible bills \$million	Equity shares \$million	Derivative financial instruments \$million	Debt securities, alternative tier one and other eligible bills \$million	Equity shares \$million		
At 1 January 2020	365	443	–	200	228	17	38	257	1,548	
Total gains/(losses) recognised in income statement	16	(15)	1	(20)	(54)	(6)	–	–	(78)	
Net trading income	16	(15)	1	(18)	(54)	(6)	–	–	(76)	
Other operating income	–	–	–	(2)	–	–	–	–	(2)	
Total gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	6	22	28	
Fair value through OCI reserve	–	–	–	–	–	–	7	19	26	
Exchange difference	–	–	–	–	–	–	(1)	3	2	
Purchases	321	540	1,165	203	7	115	36	109	2,496	
Sales	(164)	(28)	(102)	(237)	(37)	(70)	–	(4)	(642)	
Settlements	(416)	(567)	–	(68)	–	(7)	–	–	(1,058)	
Transfers out <sup>1</sup>	–	(174)	–	(37)	(1)	(41)	(40)	(3)	(296)	
Transfers in <sup>2</sup>	78	519	–	217	136	–	–	–	950	
At 31 December 2020	200	718	1,064	258	279	8	40	381	2,948	
Total unrealised (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2020	–	(6)	–	4	(3)	–	–	–	(5)	

1 Transfers out includes loans and advances, derivative financial instruments, debt securities, alternative tier one and other eligible bills and equity shares where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2. Transfers in of \$62 million further relates to Equity Shares moved from Held for Sale

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

### 13. Financial instruments continued

#### Level 3 movement tables – financial assets continued

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

Assets	Held at fair value through profit or loss					Investment securities				Total \$million
	Loans and advances to banks \$million	Loans and advances to customers \$million	Reverse repurchase agreements and other similar secured lending \$million	Debt securities, alternative tier one and other eligible bills \$million	Equity shares \$million	Derivative financial instruments \$million	Debt securities, alternative tier one and other eligible bills \$million	Equity shares \$million		
At 1 January 2019	632	492	–	317	327	12	412	230	2,422	
Total (losses)/gains recognised in income statement	(25)	(31)	–	(14)	(26)	(15)	2	–	(109)	
Net trading income	(25)	(31)	–	(14)	(26)	(15)	–	–	(111)	
Other operating income	–	–	–	–	–	–	2	–	2	
Total (losses)/gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	(341)	5	(336)	
Fair value through OCI reserve	–	–	–	–	–	–	(4)	12	8	
Exchange difference	–	–	–	–	–	–	(337)	(7)	(344)	
Purchases	826	133	–	106	139	109	156	26	1,495	
Sales	–	(8)	–	(248)	(153)	(26)	(1)	(7)	(443)	
Settlements	(1,068)	(253)	–	(3)	–	(5)	(34)	–	(1,363)	
Transfers out <sup>1</sup>	–	(6)	–	(86)	(134)	(75)	(161)	–	(462)	
Transfers in <sup>2</sup>	–	116	–	128	75	17	5	3	344	
At 31 December 2019	365	443	–	200	228	17	38	257	1,548	
Total unrealised gains recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2019	–	–	–	(1)	–	(1)	–	–	(2)	

1 Transfers out includes debt securities, alternative tier one and other eligible bills, equity shares, derivative financial instruments and loans and advances where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2. Transfers out further relates to \$74 million equity shares held for sale

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

### 13. Financial instruments continued

#### Level 3 movement tables – financial liabilities

	2020				
	Deposits by banks \$million	Customer accounts \$million	Debt securities in issue \$million	Derivative financial instruments \$million	Total \$million
At 1 January 2020	56	40	410	57	563
Total losses/(gains) recognised in income statement – net trading income	7	(1)	(10)	12	8
Issues	136	90	557	201	984
Settlements	(53)	(116)	(575)	(118)	(862)
Transfers out <sup>1</sup>	-	-	(223)	(53)	(276)
Transfers in <sup>2</sup>	-	8	1	20	29
At 31 December 2020	146	21	160	119	446
Total unrealised losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2020	-	1	-	1	2
	2019				
	Deposits by banks \$million	Customer accounts \$million	Debt securities in issue \$million	Derivative financial instruments <sup>3</sup> \$million	Total \$million
At 1 January 2019	4	-	439	65	508
Total(gains)/losses recognised in income statement – net trading income	(1)	(2)	22	54	73
Issues	53	41	592	436	1,122
Settlements	-	-	(522)	(642)	(1,164)
Transfers out <sup>1</sup>	-	-	(121)	(13)	(134)
Transfers in <sup>2</sup>	-	1	-	157	158
At 31 December 2019	56	40	410	57	563
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 2019	-	(2)	16	2	16

1 Transfers out during the year primarily relate to debt securities in issue and derivative financial instruments where the valuation parameters became observable during the year and were transferred to Level 2 financial liabilities

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

3 Prior period movements have been restated on account of restatement done during 2019 due to change in observability parameters



### 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
<b>Financial instruments held at fair value</b>						
Loans and advances	918	947	867	-	-	-
Reverse repurchase agreements and other similar secured lending	1,064	1,089	1,040	-	-	-
Asset-backed securities	87	94	80	-	-	-
Debt securities, alternative tier one and other eligible bills	171	183	159	40	40	39
Equity shares	279	307	251	381	418	345
Derivative financial instruments	(111)	(98)	(126)	-	-	-
Customer accounts	(21)	(18)	(24)	-	-	-
Deposits by banks	(146)	(146)	(146)	-	-	-
Debt securities in issue	(160)	(154)	(167)	-	-	-
At 31 December 2020	2,081	2,204	1,934	421	458	384

#### Financial instruments held at fair value

Loans and advances	808	820	787	-	-	-
Asset-backed securities	21	21	21	-	-	-
Debt securities, alternative tier one and other eligible bills	179	189	170	38	38	38
Equity shares	228	255	201	257	283	231
Derivative financial instruments	(40)	(34)	(46)	-	-	-
Customer accounts	(40)	(40)	(40)	-	-	-
Deposits by banks	(56)	(56)	(56)	-	-	-
Debt securities in issue	(410)	(379)	(441)	-	-	-
At 31 December 2019	690	776	596	295	321	269

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	2020 \$million	2019 \$million
Held at fair value through profit or loss	Possible increase	123	86
	Possible decrease	(147)	(94)
Fair value through other comprehensive income	Possible increase	37	26
	Possible decrease	(37)	(26)

## 14. Derivative financial instruments

### Accounting policy

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments.

Derivatives are initially recognised and subsequently measured at fair value, with revaluation gains recognised in profit or loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within other comprehensive income).

Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs which are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

### Hedge accounting

Under certain conditions, the Group may designate a recognised asset or liability, a firm commitment, highly probable forecast transaction or net investment of a foreign operation into a formal hedge accounting relationship with a derivative that has been entered to manage interest rate and/or foreign exchange risks present in the hedged item. The Group continues to apply the 'Phase 1' hedge accounting requirements of IAS 39 Financial Instruments: Recognition and Measurement and has early adopted the 'Phase 2' amendments to IFRS in respect of interest rate benchmark reform. There are three categories of hedge relationships:

- Fair value hedge: to manage the fair value of interest rate and/or foreign currency risks of recognised assets or liabilities or firm commitments
- Cash flow hedge: to manage interest rate or foreign exchange risk of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction
- Net investment hedge: to manage the structural foreign exchange risk of an investment in a foreign operation

The Group formally documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions. This is described in more detail in the categories of hedges below.

The Group assesses, both at hedge inception and on a quarterly basis, whether the derivatives designated in hedge relationships are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedges are considered to be highly effective if all the following criteria are met:

- At inception of the hedge and throughout its life, the hedge is prospectively expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk
- Actual results of the hedge are within a range of 80–125%. This is tested using regression analysis
- The regression co-efficient (R squared), which measures the correlation between the variables in the regression, is at least 80%
- In the case of the hedge of a forecast transaction, the transaction must have a high probability of occurring and must present an exposure to variations in cash flows that are expected to affect reported profit or loss. The Group assumes that any interest rate benchmarks on which hedged item cash flows are based are not altered by IBOR reform

The Group discontinues hedge accounting in any of the following circumstances:

- The hedging instrument is not, or has ceased to be, highly effective as a hedge
- The hedging instrument has expired, is sold, terminated or exercised
- The hedged item matures, is sold or repaid
- The forecast transaction is no longer deemed highly probable
- The Group elects to discontinue hedge accounting voluntarily

For interest rate benchmarks deemed in scope of IBOR reform, if the actual result of a hedge is outside the 80-125% range, but the hedge passes the prospective assessment, then the Group will not de-designate the hedge relationship.

Under the Phase 2 Interest Rate Benchmark Reform amendments to IFRS 9 and IAS 39, the Group may change hedge designations and corresponding documentation without the hedge being discontinued where there is a change in interest rate benchmark of the hedged item, hedging instrument or designated hedged risk. Permitted changes include the right to:

- Redefine the description of the hedged item and/or hedging instrument
- Redefine the hedged risk to reference an alternative risk-free rate
- Change the method for assessing hedge effectiveness due to modifications required by IBOR reform
- Elect, on a hedge-by-hedge basis, to reset the cumulative fair value changes in the assessment of retrospective hedge effectiveness to zero

A hedge designation may be modified more than once, each time a relationship is affected as a direct result of IBOR reform.

## 14. Derivative financial instruments continued

### Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in net trading income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the remaining term to maturity of the hedged item. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement. For financial assets classified as fair value through other comprehensive income, the hedge accounting adjustment attributable to the hedged risk is included in net trading income to match the hedging derivative.

### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedging instruments are initially recognised in other comprehensive income, accumulating in the cash flow hedge reserve within equity. These amounts are subsequently recycled to the income statement in the periods when the hedged item affects profit or loss. Both the derivative fair value movement and any recycled amount are recorded in the 'Cashflow hedges' line item in other comprehensive income.

The Group assesses hedge effectiveness using the hypothetical derivative method, which creates a derivative instrument to serve as a proxy for the hedged transaction. The terms of the hypothetical derivative match the critical terms of the hedged item and it has a fair value of zero at inception. The hypothetical derivative and the actual derivative are regressed to establish the statistical significance of the hedge relationship. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the net trading income immediately.

If a cash flow hedge is discontinued, the amount accumulated in the cash flow hedge reserve is released to the income statement as and when the hedged item affects the income statement.

For interest rate benchmarks deemed in scope of IBOR reform, the Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges even though there is uncertainty arising from these reforms with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than IBOR reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

### Net investment hedge

Hedges of net investments are accounted for in a similar manner to cash flow hedges, with gains and losses arising on the effective portion of the hedges recorded in the line 'Exchange differences on translation of foreign operations' in other comprehensive income, accumulating in the translation reserve within equity. These amounts remain in equity until the net investment is disposed of. The ineffective portion of the hedges is recognised in the net trading income immediately.

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

### Derivatives

	2020			2019		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
<b>Foreign exchange derivative contracts:</b>						
Forward foreign exchange contracts	3,018,866	37,505	39,181	2,290,781	16,281	16,396
Currency swaps and options	1,423,520	17,142	17,904	806,226	9,725	10,530
Exchange traded futures and options	-	-	-	-	-	-
	<b>4,442,386</b>	<b>54,647</b>	<b>57,085</b>	<b>3,097,007</b>	<b>26,006</b>	<b>26,926</b>
<b>Interest rate derivative contracts:</b>						
Swaps	3,165,532	52,755	50,982	4,046,209	34,011	33,351
Forward rate agreements and options	606,357	1,350	1,770	284,973	1,826	2,061
Exchange traded futures and options	261,372	233	184	359,031	179	161
	<b>4,033,261</b>	<b>54,338</b>	<b>52,936</b>	<b>4,690,213</b>	<b>36,016</b>	<b>35,573</b>
Credit derivative contracts	140,437	1,702	2,990	80,972	1,232	1,915
Equity and stock index options	6,018	110	260	3,412	27	96
Commodity derivative contracts	67,664	1,182	774	79,458	573	616
Gross total derivatives	<b>8,689,766</b>	<b>111,979</b>	<b>114,045</b>	<b>7,951,062</b>	<b>63,854</b>	<b>65,126</b>
Offset	-	(42,512)	(42,512)	-	(16,642)	(16,642)
Total derivatives	<b>8,689,766</b>	<b>69,467</b>	<b>71,533</b>	<b>7,951,062</b>	<b>47,212</b>	<b>48,484</b>

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

## 14. Derivative financial instruments continued

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

The Group has met the criteria to offset the derivative asset and liability balances and related variation margin for trades cleared on behalf of clients with LCH SwapClear. This applies to both trades between the Group and the clients and between the Group and LCH SwapClear. The impact of this as at 31 December 2020 is a decrease in the derivative assets and derivative liabilities of \$15.4 billion. Prior periods have not been restated as the effect would not be material. The impact at 31 December 2019 would have been a decrease in the derivative assets and derivative liabilities of \$8.7 billion.

The Group has also met the criteria to derecognise initial margin for trades cleared on behalf of clients with LCH SwapClear. The impact of this as at 31 December 2020 is a decrease in other assets and other liabilities of \$1.4 billion. Prior periods have not been restated as the effect would not be material. The impact at 31 December 2019 would have been a decrease in other assets and other liabilities of \$3.2 billion.

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 234).

The Derivatives and Hedging sections of the Risk review and Capital review (page 215) explain the Group's risk management of derivative contracts and application of hedging.

### Derivatives held for hedging

The Group enters into derivative contracts for the purpose of hedging interest rate, currency and structural foreign exchange risks inherent in assets, liabilities and forecast transactions. The table below summarises the notional principal amounts and carrying values of derivatives designated in hedge accounting relationships at the reporting date.

	2020			2019		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
<b>Derivatives designated as fair value hedges:</b>						
Interest rate swaps	70,846	1,500	712	69,121	617	589
Currency swaps	4,136	25	179	8,405	47	774
	<b>74,982</b>	<b>1,525</b>	<b>891</b>	<b>77,526</b>	<b>664</b>	<b>1,363</b>
<b>Derivatives designated as cash flow hedges:</b>						
Interest rate swaps	9,347	83	129	9,277	53	74
Forward foreign exchange contracts	164	21	-	289	6	20
Currency swaps	9,935	12	340	5,254	34	51
	<b>19,446</b>	<b>116</b>	<b>469</b>	<b>14,820</b>	<b>93</b>	<b>145</b>
<b>Derivatives designated as net investment hedges:</b>						
Forward foreign exchange contracts	5,376	-	383	5,103	31	70
<b>Total derivatives held for hedging</b>	<b>99,804</b>	<b>1,641</b>	<b>1,743</b>	<b>97,449</b>	<b>788</b>	<b>1,578</b>

### Fair value hedges

The Group issues various long-term fixed rate debt issuances that are measured at amortised cost, including some denominated in foreign currency, such as unsecured senior and subordinated debt (see Notes 22 and 27). The Group also holds various fixed rate debt securities such as government and corporate bonds, including some denominated in foreign currency (see Note 13). These assets and liabilities held are exposed to changes in fair value due to movements in market interest and foreign currency rates.

The Group uses interest rate swaps to exchange fixed rates for floating rates on funding to match floating rates received on assets, or exchange fixed rates on assets to match floating rates paid on funding. The Group further uses cross currency swaps to match the currency of the issued debt or held asset with that of the entity's functional currency.

Hedge ineffectiveness from fair value hedges is driven by cross currency basis risk. The amortisation of fair value hedge adjustments for hedged items no longer designated is recognised in net trading income. In future periods hedge relationships linked to an interest rate benchmark deemed in scope of benchmark reform may experience ineffectiveness due to market participants' expectations for when the change from the existing IBOR benchmark to an alternative risk-free rate will occur, since the transition may occur at different times for the hedged item and hedging instrument.

At 31 December 2020 the Group held the following interest rate and cross currency swaps as hedging instruments in fair value hedges of interest and currency risk.

**14. Derivative financial instruments** continued

**Fair value hedges** continued

**Hedging instruments and ineffectiveness**

	2020				
	Notional \$million	Carrying amount		Change in fair value used to calculate hedge ineffectiveness \$million	Ineffectiveness recognised in profit or loss \$million
		Asset \$million	Liability \$million		
<b>Interest rate<sup>1</sup></b>					
Interest rate swaps – issued notes	29,598	1,475	14	858	17
Interest rate swaps – loans and advances	2,535	2	38	(27)	–
Interest rate swaps – debt securities and other eligible bills	38,713	23	660	(934)	3
<b>Interest and currency risk<sup>1</sup></b>					
Cross currency swaps – subordinated notes issued	3,329	17	146	267	5
Cross currency swaps – debt securities and other eligible bills	807	8	33	(70)	(2)
<b>Total at 31 December 2020</b>	<b>74,982</b>	<b>1,525</b>	<b>891</b>	<b>94</b>	<b>23</b>

<sup>1</sup> Interest rate swaps are designated in hedges of the fair value of interest rate risk attributable to the hedged item. Cross currency swaps are used to hedge both interest rate and currency risks. All of the hedging instruments are derivatives, with changes in fair value including hedge ineffectiveness recorded within net trading income

	2019				
	Notional \$million	Carrying amount		Change in fair value used to calculate hedge ineffectiveness \$million	Ineffectiveness recognised in profit or loss \$million
		Asset \$million	Liability \$million		
<b>Interest rate<sup>1</sup></b>					
Interest rate swaps – issued notes	22,029	559	44	511	–
Interest rate swaps – loans and advances	1,410	1	24	(22)	(1)
Interest rate swaps – debt securities and other eligible bills	45,682	57	521	(589)	12
<b>Interest and currency risk<sup>1</sup></b>					
Cross currency swaps – subordinated notes issued	5,451	17	751	32	6
Cross currency swaps – debt securities and other eligible bills	2,954	30	23	(18)	1
<b>Total at 31 December 2019</b>	<b>77,526</b>	<b>664</b>	<b>1,363</b>	<b>(86)</b>	<b>18</b>

<sup>1</sup> Interest rate swaps are designated in hedges of the fair value of interest rate risk attributable to the hedged item. Cross currency swaps are used to hedge both interest rate and currency risks. All of the hedging instruments are derivatives, with changes in fair value including hedge ineffectiveness recorded within net trading income

**Hedged items in fair value hedges**

	2020					Cumulative balance of fair value adjustments from de-designated hedge relationships <sup>1</sup> \$million
	Carrying amount		Accumulated amount of fair value hedge adjustments included in the carrying amount		Change in the value used for calculating hedge ineffectiveness \$million	
	Asset \$million	Liability \$million	Asset \$million	Liability \$million		
Issued notes	–	33,737	–	1,096	(1,103)	856
Debt securities and other eligible bills	40,663	–	577	–	1,005	(92)
Loans and advances to customers	2,561	–	32	–	27	–
<b>Total at 31 December 2020</b>	<b>43,224</b>	<b>33,737</b>	<b>609</b>	<b>1,096</b>	<b>(71)</b>	<b>764</b>
	2019					Cumulative balance of fair value adjustments from de-designated hedge relationships <sup>1</sup> \$million
	Carrying amount		Accumulated amount of fair value hedge adjustments included in the carrying amount		Change in fair value used for calculating hedge ineffectiveness \$million	
	Asset \$million	Liability \$million	Asset \$million	Liability \$million		
Issued notes	–	27,921	–	271	(537)	611
Debt securities and other eligible bills	49,190	–	373	–	620	(120)
Loans and advances to customers	1,431	–	22	–	21	–
<b>Total at 31 December 2019</b>	<b>50,621</b>	<b>27,921</b>	<b>395</b>	<b>271</b>	<b>104</b>	<b>491</b>

<sup>1</sup> This represents a credit/(debit) to the balance sheet value

## 14. Derivative financial instruments continued

### Income statement impact of fair value hedges

	2020 Income/ (expense) \$million	2019 Income/ (expense) \$million
Change in fair value of hedging instruments	94	(86)
Change in fair value of hedged risks attributable to hedged items	(71)	104
Net ineffectiveness gain to net trading income	23	18
Amortisation loss to net interest income	(31)	(5)

### Cash flow hedges

The Group has exposure to market movements in future interest cash flows on portfolios of customer accounts, debt securities and loans and advances to customers. The amounts and timing of future cash flows, representing both principal and interest flows, are projected on the basis of contractual terms and other relevant factors, including estimates of prepayments and defaults.

The hedging strategy of the Group involves using interest rate swaps to manage the variability in future cash flows on assets and liabilities that have floating rates of interest by exchanging the floating rates for fixed rates. It also uses foreign exchange contracts and currency swaps to manage the variability in future exchange rates on its assets and liabilities and costs in foreign currencies. This is done on both a micro basis whereby a single interest rate or cross currency swap is designated in a separate relationship with a single hedged item (such as a floating rate loan to a customer), and on a portfolio basis whereby each hedging instrument is designated against a group of hedged items that share the same risk (such as a group of customer accounts).

The hedged risk is determined as the variability of future cash flows arising from changes in the designated benchmark interest rate, e.g. one-month or three-month LIBOR.

### Hedging instruments and ineffectiveness

	2020						
	Notional \$million	Carrying amount		Change in fair value used to calculate hedge ineffectiveness \$million	Gain/(loss) recognised in OCI \$million	Ineffectiveness gain/(loss) recognised in net trading income \$million	Amount reclassified from reserves to income \$million
		Asset \$million	Liability \$million				
<b>Interest rate risk</b>							
Interest rate swaps	9,347	83	129	(45)	(45)	-	-
<b>Currency risk</b>							
Forward foreign exchange contract	164	21	-	14	14	-	-
Cross currency swaps	9,935	12	340	(261)	(261)	-	-
Total as at 31 December 2020	19,446	116	469	(292)	(292)	-	-
	2019						
	Notional \$million	Carrying amount		Change in fair value used to calculate hedge ineffectiveness \$million	Gain/(loss) recognised in OCI \$million	Ineffectiveness gain/(loss) recognised in net trading income \$million	Amount reclassified from reserves to income \$million
		Asset \$million	Liability \$million				
<b>Interest rate risk</b>							
Interest rate swaps	9,277	53	74	(87)	(87)	-	-
<b>Currency risk</b>							
Forward foreign exchange contract	289	6	20	6	6	-	-
Cross currency swaps	5,254	34	51	(5)	(5)	-	(2)
Total as at 31 December 2019	14,820	93	145	(86)	(86)	-	(2)

**14. Derivative financial instruments** continued

## Hedged items in cash flow hedges

	2020		
	Change in fair value used for calculating hedge ineffectiveness \$million	Cash flow hedge reserve \$million	Cumulative balance in the cash flow hedge reserve from de-designated hedge relationships \$million
Customer accounts	105	(110)	(8)
Debt securities and other eligible bills	92	16	-
Loans and advances to customers	(45)	34	1
Forecast cashflow currency hedge	(14)	21	-
Intragroup lending currency hedge	169	5	-
Intragroup borrowing currency hedge	(15)	2	-
Total at 31 December 2020	292	(32)	(7)

  

	2019		
	Change in fair value used for calculating hedge ineffectiveness \$million	Cash flow hedge reserve \$million	Cumulative balance in the cash flow hedge reserve from de-designated hedge relationships \$million
Customer accounts	86	(58)	(4)
Debt securities and other eligible bills	(3)	1	-
Loans and advances to customers	(28)	(10)	(4)
Forecast cashflow currency hedge	40	-	-
Intragroup lending currency hedge	(9)	(6)	-
Total at 31 December 2019	86	(73)	(8)

**Impact of cash flow hedges on profit and loss and other comprehensive income**

	2020 Income/ (expense) \$million	2019 Income/ (expense) \$million
Cash flow hedge reserve balance as at 1 January	(59)	(10)
Loss recognised in other comprehensive income on effective portion of changes in fair value of hedging instruments	(25)	(64)
Gain transferred to net trading income on hedging instruments no longer in a hedging relationship	-	10
Gain reclassified to income statement when hedged item affected net profit	17	11
Taxation charge relating to cash flow hedges	15	(6)
Cash flow hedge reserve balance as at 31 December	(52)	(59)

**Net investment hedges**

Foreign currency exposures arise from investments in subsidiaries that have a different functional currency from that of the presentation currency of the Group. This risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries and the Group's presentation currency, which causes the value of the investment to vary.

The Group's policy is to hedge these exposures only when not doing so would be expected to have a significant impact on the regulatory ratios of the Group and its banking subsidiaries. The Group uses foreign exchange forwards to manage the effect of exchange rates on its net investments in foreign subsidiaries.

## 14. Derivative financial instruments continued

### Hedging instruments and ineffectiveness

	2020						
	Notional \$million	Carrying amount		Change in fair value used to calculate hedge ineffectiveness \$million	Changes in the value of the hedging instrument recognised in OCI \$million	Ineffectiveness recognised in profit or loss \$million	Amount reclassified from reserves to income \$million
		Asset \$million	Liability \$million				
Derivative forward currency contracts <sup>1</sup>	5,376	–	383	(286)	(286)	–	–
	2019						
	Notional \$million	Carrying amount		Change in fair value used to calculate hedge ineffectiveness \$million	Changes in the value of the hedging instrument recognised in OCI \$million	Ineffectiveness recognised in profit or loss \$million	Amount reclassified from reserves to income \$million
		Asset \$million	Liability \$million				
Derivative forward currency contracts <sup>1</sup>	5,103	31	70	98	98	–	–

<sup>1</sup> These derivative forward currency contracts have a maturity of less than one year. The hedges are rolled on a periodic basis

### Hedged items in net investment hedges

	2020		
	Change in the value used for calculating hedge ineffectiveness \$million	Translation reserve \$million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied \$million
Net investments	286	(383)	–
	2019		
	Change in the value used for calculating hedge ineffectiveness \$million	Translation reserve \$million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied \$million
Net investments	(98)	98	–

### Impact of net investment hedges on other comprehensive income

	2020 Income/ (expense) \$million	2019 Income/ (expense) \$million
Gains/(losses) recognised in other comprehensive income	(287)	191



**14. Derivative financial instruments** continued

**Maturity of hedging instruments**

		2020			
		Less than one month	More than one month and less than one year	One to five years	More than five years
<b>Fair value hedges</b>					
<b>Interest rate swap</b>					
Notional	\$million	2,334	13,908	40,768	13,836
Average fixed interest rate	USD	1.44%	1.28%	1.47%	1.64%
	EUR	-	1.86%	1.49%	1.72%
<b>Cross currency swap</b>					
Notional	\$million	837	1,384	1,915	-
Average fixed interest rate (to USD)	EUR	0.25%	1.63%	3.43%	-
	JPY	(0.12)%	-	(0.23)%	-
Average exchange rate	EUR/USD	0.82	0.74	0.79	-
	JPY/USD	109.93	-	107.91	-
<b>Cash flow hedges</b>					
<b>Interest rate swap</b>					
Notional	\$million	-	3,428	4,686	1,233
Average fixed interest rate	HKD	-	1.46%	0.62%	-
	USD	-	0.96%	1.80%	1.32%
<b>Cross currency swap</b>					
Notional	\$million	-	7,822	2,084	29
Average fixed interest rate	HKD	-	1.15%	-	-
	KRO	-	0.79%	-	-
	TWD <sup>1</sup>	-	(0.63)%	-	-
	JPY	-	(0.21)%	(0.16)%	-
Average exchange rate	HKD/USD	-	7.75	-	-
	KRO/USD	-	1,174.75	-	-
	TWD <sup>1</sup> /USD	-	29.88	-	-
	JPY/USD	-	107.54	107.12	-
<b>Forward foreign exchange contracts</b>					
Notional	\$million	27	137	-	-
Average exchange rate	GBP/USD	0.84	0.84	-	-
<b>Net investment hedges</b>					
<b>Foreign exchange derivatives</b>					
Notional	\$million	5,376	-	-	-
Average exchange rate	CNY <sup>1</sup> /USD	7.07	-	-	-
	KRW <sup>1</sup> /USD	1,197.02	-	-	-
	TWD <sup>1</sup> /USD	28.89	-	-	-

1 Offshore currency

## 14. Derivative financial instruments continued

### Maturity of hedging instruments

		2019			
		Less than one month	More than one month and less than one year	One to five years	More than five years
<b>Fair value hedges</b>					
<b>Interest rate swap</b>					
Notional	\$million	433	12,032	46,229	10,427
Average fixed interest rate	USD	2.78%	2.50%	2.47%	4.05%
<b>Cross currency swap</b>					
Notional	\$million	92	4,267	3,379	667
Average fixed interest rate (to USD)	EUR	-	4.00%	2.61%	-
	GBP	-	5.38%	4.71%	4.38%
	JPY	(0.16)%	(0.17)%	-	-
Average exchange rate	EUR/USD	-	0.74	0.77	-
	GBP/USD	-	0.55	0.63	0.62
	JPY/USD	107.90	109.90	-	-
<b>Cash flow hedges</b>					
<b>Interest rate swap</b>					
Notional	\$million	193	4,440	3,891	753
Average fixed interest rate	HKD	1.91%	1.95%	1.80%	-
	USD	-	2.72%	1.65%	2.46%
<b>Cross currency swap</b>					
Notional	\$million	403	4,121	730	-
Average fixed interest rate	CNY <sup>1</sup>	3.22%	3.49%	3.94%	-
	HKD	-	2.52%	-	-
	INR <sup>1</sup>	-	4.32%	3.85%	-
	KRW <sup>1</sup>	-	1.25%	-	-
Average exchange rate	CNY <sup>1</sup> /USD	6.86	6.93	7.08	-
	HKD/USD	-	7.84	-	-
	INR <sup>1</sup> /USD	-	69.43	68.85	-
	KRW <sup>1</sup> /USD	-	1,201.23	-	-
<b>Forward foreign exchange contracts</b>					
Notional	\$million	196	93	-	-
Average exchange rate	INR <sup>1</sup> /USD	81.20	-	-	-
	INR/USD	81.01	-	-	-
	GBP/USD	0.80	0.79	-	-
<b>Net investment hedges</b>					
<b>Foreign exchange derivatives</b>					
Notional	\$million	5,103	-	-	-
Average exchange rate	CNY/USD	6.90	-	-	-
	KRW/USD	1,188.90	-	-	-
	TWD/USD	30.56	-	-	-

1 Offshore currency

## 14. Derivative financial instruments continued

### Interest rate benchmark reform

The Group applies the Phase 1 'Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7' which allow the Group to assume that the interest rate benchmark on which cash flows for the hedged item and/or hedging instrument are based is altered as a result of IBOR reform for the following activities:

- Prospective hedge assessment
- Determining whether a cash flow or forecast transaction for a cash flow hedge is highly probable. However, the Group otherwise assesses whether the cash flows are considered highly probable
- Determining when cumulative balances in the cash flow hedge reserve from de-designated hedges should be recycled to the income statement

The Group will not de-designate a hedge relationship of a benchmark in scope of IBOR reform if the retrospective hedge result is outside the required 80-125% range but, the hedge passes the prospective assessment. Any hedge ineffectiveness continues to be recorded in net trading income.

For hedges of non-contractually specified benchmark portions of an interest rate (such as fair value hedges of interest rate risk on fixed rate debt instruments) the Group only assesses whether the designated benchmark is separately identifiable at hedge inception. The choice of designated benchmark is not revisited for existing hedge relationships.

In applying these amendments, the Group has made the following key assumptions for the period end, to be reviewed on an ongoing basis:

- The interest rate benchmarks applicable to the Group that are in scope of the IFRS amendments are all LIBORs, EONIA, Singapore Swap Offer Rate (SGD SOR) and Thai Baht Interest Rate Fixing (THB FIX)
- EURIBOR is not in scope of the IFRS amendments because its revised methodology incorporates market transaction data, hence the benchmark is expected to continue to exist in future reporting periods
- The Group believes it is too early to reliably estimate when interest rate benchmark uncertainty will be resolved for all benchmarks assumed to be in scope of the amendments. It therefore assumes that the uncertainty arising from interest rate benchmark reform will be present until 31 December 2021, at which time the amendments to IFRS no longer apply

The Group has established an IBOR Transition Programme that is overseen by the Group's Chief Operating Officer, and updates a number of committees including the Board Risk Committee and Group Risk Committee regularly updated. The programme comprises a series of business and function workstreams, with oversight and coordination of the specific areas and risks provided by a central project team. The key objectives of these workstreams include identifying all contracts in scope of benchmark reform, upgrading internal systems to support business in the alternative RFR product suite, identifying and communicating to customers with whom repricing and/or re-papering IBOR-referenced contracts is required and executing the necessary change in contracts. Workstreams actively participate in industry-wide working groups to ensure they are kept informed of the latest developments and are consistent with the approaches of other market participants.

As at 31 December 2020, the following populations of derivative instruments designated in fair value or cash flow hedge accounting relationships were linked to IBOR reference rates:

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

## 14. Derivative financial instruments continued

	Fair value hedges		Cash flow hedges		Total \$million	Weighted average exposure Years
	Notional designated up to 31 December 2021 \$million	Notional designated beyond 31 December 2021 \$million	Notional designated up to 31 December 2021 \$million	Notional designated beyond 31 December 2021 \$million		
<b>Interest rate swaps</b>						
USD LIBOR	26,159	25,622	950	2,559	55,290	2.7
GBP LIBOR	613	4,049	–	–	4,662	5.5
JPY LIBOR	1,429	569	–	–	1,998	2.4
SGD SOR	563	132	–	–	695	1.7
	28,764	30,372	950	2,559	62,645	2.9
<b>Cross currency swaps</b>						
USD LIBOR vs Fixed rate foreign currency	6,216	2,189	–	–	8,405	2.7
<b>Total notional of hedging instruments in scope of IFRS amendments as at 31 December 2019</b>						
	34,980	32,561	950	2,559	71,050	2.9

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. Loans and advances to banks and customers

### Accounting policy

Refer to Note 13 Financial instruments for the relevant accounting policy

	2020 \$million	2019 \$million
Loans and advances to banks	44,364	53,558
Expected credit loss	(17)	(9)
	44,347	53,549
Loans and advances to customers	288,312	274,306
Expected credit loss	(6,613)	(5,783)
	281,699	268,523
Total loans and advances to banks and customers	326,046	322,072

The Group has outstanding residential mortgage loans to Korea residents of \$22.1 billion (31 December 2019: \$17.8 billion) and Hong Kong residents of \$32 billion (31 December 2019: \$29.9 billion).

Analysis of loans and advances to customers by geographic region and client segment together with their related impairment provisions are set out within the Risk review and Capital review (page 198).

## 16. Reverse repurchase and repurchase agreements including other similar lending and borrowing

### Accounting policy

The Group purchases securities (a reverse repurchase agreement – ‘reverse repo’) typically with financial institutions subject to a commitment to resell or return the securities at a predetermined price. These securities are not included in the balance sheet as the Group does not acquire the risks and rewards of ownership, however they are recorded off-balance sheet as collateral received. Consideration paid (or cash collateral provided) is accounted for as a loan asset at amortised cost, unless it is managed on a fair value basis or designated at fair value through profit or loss. In the majority of cases through the contractual terms of a reverse repo arrangement, the Group as the transferee of the security collateral has the right to sell or repledge the asset concerned.

The Group also sells securities (a repurchase agreement – ‘repo’) subject to a commitment to repurchase or redeem the securities at a predetermined price. The securities are retained on the balance sheet as the Group retains substantially all the risks and rewards of ownership and these securities are disclosed as pledged collateral. Consideration received (or cash collateral received) is accounted for as a financial liability at amortised cost, unless it is either mandatorily classified as fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

Financial assets are pledged as collateral as part of sales and repurchases, securities borrowing and securitisation transactions under terms that are usual and customary for such activities. The Group is obliged to return equivalent securities.

Repo and reverse repo transactions typically entitle the Group and its counterparties to have recourse to assets similar to those provided as collateral in the event of a default. Securities sold subject to repos, either by way of a Global Master Repurchase Agreement (GMRA), or through a securities sale and Total Return Swap (TRS) continue to be recognised on the balance sheet as the Group retains substantially the associated risks and rewards of the securities (the TRS is not recognised). The counterparty liability is included in deposits by banks or customer accounts, as appropriate. Assets sold under repurchase agreements are considered encumbered as the Group cannot pledge these to obtain funding.

### Reverse repurchase agreements and other similar secured lending

	2020 \$million	2019 \$million
Banks	19,452	19,610
Customers	48,119	40,804
	<b>67,571</b>	60,414
Of which:		
Fair value through profit or loss	<b>63,405</b>	57,604
Banks	18,205	18,269
Customers	45,200	39,335
Held at amortised cost	<b>4,166</b>	2,810
Banks	1,247	1,341
Customers	2,919	1,469

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:

	2020 \$million	2019 \$million
Securities and collateral received (at fair value)	<b>99,676</b>	86,308
Securities and collateral which can be repledged or sold (at fair value)	<b>99,238</b>	85,415
Amounts repledged/transferred to others for financing activities, to satisfy liabilities under sale and repurchase agreements (at fair value)	<b>46,209</b>	44,530

## 16. Reverse repurchase and repurchase agreements including other similar lending and borrowing continued

### Repurchase agreements and other similar secured borrowing

	2020 \$million	2019 \$million
Banks	6,647	7,789
Customers	43,918	40,429
	50,565	48,218
Of which:		
Fair value through profit or loss	48,662	46,283
Banks	6,107	7,401
Customers	42,555	38,882
Held at amortised cost	1,903	1,935
Banks	540	388
Customers	1,363	1,547

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

	2020				
	Fair value through profit or loss \$million	Fair value through other comprehensive income \$million	Amortised cost \$million	Off-balance sheet \$million	Total \$million
<b>Collateral pledged against repurchase agreements</b>					
<b>On-balance sheet</b>					
Debt securities and other eligible bills	2,664	2,108	355	–	5,127
<b>Off-balance sheet</b>					
Repledged collateral received	–	–	–	46,209	46,209
At 31 December 2020	2,664	2,108	355	46,209	51,336

	2019				
	Fair value through profit or loss \$million	Fair value through other comprehensive income \$million	Amortised cost \$million	Off-balance sheet \$million	Total \$million
<b>Collateral pledged against repurchase agreements</b>					
<b>On-balance sheet</b>					
Debt securities and other eligible bills	1,036	2,137	1,023	–	4,196
<b>Off-balance sheet</b>					
Repledged collateral received	–	–	–	44,530	44,530
At 31 December 2019	1,036	2,137	1,023	44,530	48,726

## 17. Goodwill and intangible assets

### Accounting policy

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in Investments in associates. Goodwill included in Intangible assets is assessed at each balance sheet date for impairment and carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Detailed calculations are performed based on discounting expected cash flows of the relevant cash-generating units (CGUs) and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgement. Goodwill is allocated to CGUs for the purpose of impairment testing. CGUs represent the lowest level within the Group which generate separate cash inflows and at which the goodwill is monitored for internal management purposes. These are equal to or smaller than the Group's reportable segments (as set out in Note 2) as the Group views its reportable segments on a global basis. The major CGUs to which goodwill has been allocated are set out in the CGU table (page 368).

#### Significant accounting estimates and judgements

The carrying amount of goodwill is based on the application of judgements including the basis of goodwill impairment calculation assumptions. Judgement is also applied in determination of cash-generating units.

Estimates include forecasts used for determining cash flows for CGUs, the appropriate long term growth rates to use and discount rates which factor in country risk-free rates and applicable risk premiums. These estimates are periodically assessed for appropriateness. The Group undertakes an annual assessment to evaluate whether the carrying value of goodwill is impaired. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement and is subject to potential change over time.

#### Acquired intangibles

At the date of acquisition of a subsidiary or associate, intangible assets which are deemed separable and that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired. These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity and are amortised on the basis of their expected useful lives (4 to 16 years). At each balance sheet date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

#### Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Internally generated software represents substantially all of the total software capitalised. Direct costs of the development of separately identifiable internally generated software are capitalised where it is probable that future economic benefits attributable to the asset will flow from its use (internally generated software). These costs include salaries and wages, materials, service providers and contractors, and directly attributable overheads. Costs incurred in the ongoing maintenance of software are expensed immediately when incurred. Internally generated software is amortised over a three to five-year time period. On an annual basis software assets' residual values and useful lives are reviewed, including assessing for indicators of impairment. Indicators of impairment include loss of business relevance, obsolescence of asset, exit of the business to which the software relates, technological changes, change in use of the asset, reduction in useful life, plans to reduce usage or scope.

For capitalised software, judgement is required to determine which costs relate to research (and therefore expensed) and which costs relate to development (capitalised). Further judgement is required to determine the technical feasibility of completing the software such that it will be available for use. Estimates are used to determine how the software will generate probable future economic benefits, these estimates include: cost savings, income increases, balance sheet improvements, improved functionality or improved asset safeguarding.

## 17. Goodwill and intangible assets continued

	2020				2019			
	Goodwill \$million	Acquired intangibles \$million	Computer software \$million	Total \$million	Goodwill \$million	Acquired intangibles \$million	Computer software \$million	Total \$million
<b>Cost</b>								
At 1 January	3,079	461	3,239	6,779	3,116	510	2,835	6,461
Exchange translation differences	27	16	60	103	(10)	(5)	26	11
Additions	-	-	790	790	-	1	753	754
Disposals	-	-	(4)	(4)	-	(1)	(3)	(4)
Impairment	(489)	-	-	(489)	(27)	-	-	(27)
Amounts written off	-	(4)	(403)	(407)	-	(44)	(372)	(416)
Classified as held for sale	-	-	-	-	-	-	-	-
At 31 December	2,617	473	3,682	6,772	3,079	461	3,239	6,779
<b>Provision for amortisation</b>								
At 1 January	-	431	1,058	1,489	-	458	947	1,405
Exchange translation differences	-	15	21	36	-	(5)	6	1
Amortisation	-	5	515	520	-	9	436	445
Impairment charge	-	-	17	17	-	-	12	12
Disposals	-	-	(4)	(4)	-	(1)	-	(1)
Amounts written off	-	-	(349)	(349)	-	(30)	(343)	(373)
At 31 December	-	451	1,258	1,709	-	431	1,058	1,489
<b>Net book value</b>	<b>2,617</b>	<b>22</b>	<b>2,424</b>	<b>5,063</b>	<b>3,079</b>	<b>30</b>	<b>2,181</b>	<b>5,290</b>

At 31 December 2020, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to \$3,317 million (31 December 2019: \$2,828 million), of which \$489 million was recognised in 2020 (31 December 2019: \$27 million).

### Goodwill

#### Testing of goodwill for impairment

An annual assessment is made as to whether the current carrying value of goodwill is impaired. For the purposes of impairment testing, goodwill is allocated at the date of acquisition to a CGU. Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. Indicators of impairment include changes in the economic performance and outlook of the region including geopolitical changes, changes in market value of regional investments, large credit defaults and strategic decisions to exit certain regions. The recoverable amounts for all the CGUs were measured based on value-in-use (ViU). The calculation of ViU for each CGU is calculated using five-year cash flow projections and an estimated terminal value based on a perpetuity value after year five. The cash flow projections are based on forecasts approved by management up to 2025. The perpetuity terminal value amount is calculated using year five cash flows using long-term GDP growth rates. All cash flows are discounted using discount rates which reflect market rates appropriate to the CGU.

The goodwill allocated to each CGU and key assumptions used in determining the recoverable amounts are set out below and are solely estimates for the purposes of assessing impairment of acquired goodwill.



## 17. Goodwill and intangible assets continued

### Goodwill continued

Cash-generating unit	2020			2019		
	Goodwill \$million	Discount rates per cent	Long-term forecast GDP growth rates per cent	Goodwill \$million	Discount rates per cent	Long-term forecast GDP growth rates per cent
<b>Country CGUs</b>						
<b>Greater China &amp; North Asia</b>	<b>934</b>			900		
Hong Kong	359	9.7	2.7	358	9.2	2.4
Taiwan	575	8.6	2.1	542	10.6	2.0
<b>Africa &amp; Middle East</b>	<b>303</b>			512		
Pakistan	183	15.0	5.0	188	21.0	4.0
UAE	-	-	-	204	7.1	2.5
Others (4) <sup>1</sup>	120	8.1-14.3	2.8-5.8	120	8.3-16.6	2.5-4.9
<b>ASEAN &amp; South Asia</b>	<b>414</b>			706		
India	-	-	-	259	16.4	7.3
Singapore	345	10.3	3.0	342	10.4	1.9
Others <sup>2</sup>	69	12.8-13.4	6.9-7.2	105	11.7-15.4	3.3-7.3
<b>Global CGUs</b>	<b>966</b>			961		
Global Private Banking	84	10.0	3.6	84	9.1	3.5
Global Corporate & Institutional Banking	882	10.0	3.0	877	9.1	3.5
	<b>2,617</b>			3,079		

1 Bahrain, Ghana, Jordan and Qatar

2 Bangladesh and Vietnam, Indonesia and Brunei goodwill was written off in 2020

Four country CGUs; India, UAE, Indonesia and Brunei have had all the goodwill allocated to them written off, totalling \$489 million. This was primarily due to lower economic growth forecasts, higher discount rates and forward-looking cash flows reflecting lower interest rate environments. As a result, the carrying amount of each CGU, which included goodwill, was greater than the recoverable amount.

In view of the increased economic uncertainty caused by the COVID-19 pandemic, the Group has performed sensitivity analysis on the key assumptions for each CGU's recoverable amount. The following CGUs are considered sensitive to the key variables and any individual movements on the estimates (cashflow, discount rate and GDP growth rate) up to the levels disclosed below would eliminate the current headroom.

CGU	2020														
	Sensitivities													Extreme downside scenario	
	Base case	GDP		Discount rates		Cashflow		Cashflow		Cashflow		Downside scenario	Extreme downside scenario		
		Headroom	Discount rate	GDP	Headroom	Headroom	Headroom	Headroom	Headroom	Headroom	Headroom			Headroom	Headroom
	Goodwill \$million	\$million	%	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	
Taiwan	575	359	8.6%	2.1%	652	144	84	734	620	97	882	(165)	(426)	(276)	(479)
Global Corporate & Institutional Banking	882	3,845	10.0%	3.0%	7,233	1,304	546	8,245	7,369	322	10,893	(3,202)	(6,726)	(4,150)	(6,938)

The table above represents reasonably possible scenarios that could occur if either; economic factors (which drive GDP rates and discount rates); country-specific cash flows; or a combination of both are different from the assumptions used in the goodwill impairment assessment at 31 December 2020.

For there to be no headroom, the discount rate will need to increase by 1.37 per cent and 1.19 per cent, for Taiwan and Global Corporate & Institutional Banking (CIB) respectively. Similarly, the GDP rates will need to decrease by 1.87 per cent, 1.63 per cent and cash flows would need to decrease by 13.71 per cent, 10.91 per cent for Taiwan and Global CIB respectively.

## 17. Goodwill and intangible assets continued

### Acquired intangibles

These primarily comprise those items recognised as part of the acquisitions of Union Bank (now amalgamated into Standard Chartered Bank (Pakistan) Limited), Hsinchu (now amalgamated into Standard Chartered Bank (Taiwan) Limited), Pembroke, American Express Bank and ABSA's custody business in Africa. Maintenance intangible assets represent the value in the difference between the contractual right under acquired leases to receive aircraft in a specified maintenance condition at the end of the lease and the actual physical condition of the aircraft at the date of acquisition.

The acquired intangibles are amortised over periods from four years to a maximum of 16 years. The constituents are as follows:

	2020 \$million	2019 \$million
<b>Acquired intangibles comprise:</b>		
Aircraft maintenance	6	10
Core deposits	-	1
Customer relationships	7	12
Licences	9	7
<b>Net book value</b>	<b>22</b>	<b>30</b>

## 18. Property, plant and equipment

### Accounting policy

All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

At each balance sheet date the assets' residual values and useful lives are reviewed, and adjusted if appropriate, including assessing for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down to the recoverable amount. Gains and losses on disposals are included in the income statement.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land and buildings comprise mainly branches and offices. Freehold land is not depreciated although it is subject to impairment testing.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings • up to 50 years
- Leasehold improvements life of lease • up to 50 years
- Equipment and motor vehicles • three to 15 years
- Aircraft • up to 18 years
- Ships • up to 15 years

Where the Group is a lessee of a right-of-use asset, the leased assets are capitalised and included in Property, plant and equipment with a corresponding liability to the lessor recognised in Other liabilities, in accordance with the Group's leased assets accounting policy in Note 19.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

### Significant accounting estimates and judgements

The carrying amount of the Group's aircraft leasing portfolio is based on the application of judgement and estimates to determine the most appropriate recoverable amount for each aircraft when assessing for impairment. Estimates involve the appropriate cash flows, discount rates and residual values used in determining a value-in-use for aircraft, and judgement is required in determining the appropriate observable third-party valuations to use for assessing current market value.

## 18. Property, plant and equipment continued

	2020					
	Premises \$million	Equipment \$million	Operating lease assets \$million	Leased premises assets \$million	Leased equipment assets \$million	Total \$million
<b>Cost or valuation</b>						
At 1 January	2,058	800	4,461	1,493	23	8,835
Exchange translation differences	40	6	(2)	11	4	59
Additions <sup>1</sup>	36	121	952	155	6	1,270
Disposals and fully depreciated assets written off <sup>2</sup>	(83)	(53)	(178)	(82)	(2)	(398)
Transfers to assets held for sale	(3)	-	-	-	-	(3)
As at 31 December	2,048	874	5,233	1,577	31	9,763
<b>Depreciation</b>						
Accumulated at 1 January	737	518	1,067	286	7	2,615
Exchange translation differences	13	6	-	-	-	19
Charge for the year	73	122	229	300	7	731
Impairment charge <sup>3</sup>	-	-	132	-	-	132
Attributable to assets sold, transferred or written off <sup>2</sup>	(52)	(52)	(92)	(50)	(2)	(248)
Transfers to assets held for sale	(1)	-	-	-	-	(1)
Accumulated at 31 December	770	594	1,336	536	12	3,248
<b>Net book amount at 31 December</b>	<b>1,278</b>	<b>280</b>	<b>3,897</b>	<b>1,041</b>	<b>19</b>	<b>6,515</b>

1 Refer to the cash flow statement under cash flows from investing activities section for the purchase of property, plant and equipment during the year of \$1,270 million on page 300

2 Disposals for property, plant and equipment during the year of \$178 million in the cash flow statement would include the gains and losses incurred as part of other operating income (Note 6) on disposal of assets during the year and the net book value disposed

3 Aircraft have been impaired due to a decrease in the market values, particularly wide-body variants

	2019					
	Premises \$million	Equipment \$million	Operating lease assets \$million	Leased premises assets <sup>3</sup> \$million	Leased equipment assets <sup>3</sup> \$million	Total \$million
<b>Cost or valuation</b>						
At 1 January	2,070	766	6,323	1,408	13	10,580
Exchange translation differences	(31)	(17)	(5)	(35)	-	(88)
Additions	96 <sup>1</sup>	123 <sup>1</sup>	299 <sup>1</sup>	128	10	656
Disposals and fully depreciated assets written off	(62) <sup>2</sup>	(72) <sup>2</sup>	(694) <sup>2</sup>	(8)	-	(836)
Transfers to assets held for sale	(15)	-	(1,462)	-	-	(1,477)
As at 31 December	2,058	800	4,461	1,493	23	8,835
<b>Depreciation</b>						
Accumulated at 1 January	706	494	1,469	-	1	2,670
Exchange translation differences	(7)	(10)	(5)	7	-	(15)
Charge for the year	77	106	263	283	6	735
Impairment charge	1	-	121	-	-	122
Attributable to assets sold, transferred or written off	(35) <sup>2</sup>	(72) <sup>2</sup>	(155) <sup>2</sup>	(4)	-	(266)
Transfers to assets held for sale	(5)	-	(626)	-	-	(631)
Accumulated at 31 December	737	518	1,067	286	7	2,615
<b>Net book amount at 31 December</b>	<b>1,321</b>	<b>282</b>	<b>3,394</b>	<b>1,207</b>	<b>16</b>	<b>6,220</b>

1 Refer to the cash flow statement under cash flows from investing activities section for the purchase of property, plant and equipment during the period \$518 million on page 300

2 Disposals for property, plant and equipment during the period \$566 million in the cash flow statement would include the gains and losses incurred as part of other operating income (Note 6) on disposal of assets during the period and the net book value disposed

3 Leased premises assets and leased equipment assets were newly recognised on 1 January 2019 due to the adoption of IFRS 16 Leases. The Group applied the modified retrospective transition approach, such that the right-of-use asset recognised equalled the lease liability, adjusted for prepayments and accruals recognised under IAS 17 as of 31 December 2018

## 18. 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 114 commercial aircraft, of which 107 are narrow-body and 7 wide-body, leased to clients under operating leases. The leases are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to the ownership of the assets, and rental income from operating lease assets is disclosed in Note 6. At 31 December 2020, these assets had a net book value of \$3,897 million (31 December 2019: \$3,394 million).

Under these leases the lessee is responsible for the maintenance and servicing of the aircraft during the lease term while the Group receives rental income and assumes the risks of the residual value of the aircraft at the end of the lease. Initial lease terms range in length up to 12 years, while the average remaining lease term at 31 December 2020 is approximately six years. By varying the lease terms the effects of changes in cyclical market conditions at the time aircraft become eligible for re-lease are mitigated. The Group will look at entering into a lease extension with existing lessees well in advance of lease expiry in order to minimise the risk of aircraft downtime and aircraft transition costs. Aircraft may also be sold from time to time to manage the composition and average age of the fleet.

A series of stress sensitivities conducted on the narrow-body portfolio highlight the two biggest risks remain either an increase in the discount rate in conjunction with further market value decreases, as the majority of the leased portfolio is now valued on a VIU basis, or a substantial number of airline clients defaulting. A sensitivity test was performed on the narrow-body portfolio assuming a discount rate increase of 50 basis points and a future market value decrease of 10 per cent, which resulted in a possible increase in impairment of \$46 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 \$38million.

During 2020 the Group offered payment concessions to customers as a result of the COVID-19 pandemic, allowing them to defer lease payments for between three and nine months. As of 31 December 2020 the outstanding amount of deferred lease payments was \$19 million. For customers who have not defaulted on their obligations, deferrals do not affect income recognition provided the total lease rentals and lease expiry date are unchanged. For customers who have defaulted, any income not covered by collateral is provided against. The provision is reversed on receipt of the deferred payment.

The table below gives a maturity analysis of undiscounted lease payments receivable in future periods:

	2020 Minimum lease receivables under operating leases falling due: \$million	2019 Minimum lease receivables under operating leases falling due: \$million
Within one year	478	473
One to two years	436	451
Two to three years	374	403
Three to four years	328	337
Four to five years	251	82
After five years	697	789
	<b>2,564</b>	2,535

## 19. Leased assets

### Accounting policy

The Group assesses whether a contract is a lease in scope of this policy by determining whether the contract gives it the right to use a specified underlying physical asset for a lease term greater than 12 months, unless the underlying asset is of low value.

Where the Group is a lessee and the lease is deemed in scope, it recognises a liability equal to the present value of lease payments over the lease term, discounted using the incremental borrowing rate applicable in the economic environment of the lease. The liability is recognised in 'Other liabilities'. A corresponding right-of-use asset equal to the liability, adjusted for any lease payments made at or before the commencement date, is recognised in 'Property, plant and equipment'. The lease term includes any extension options contained in the contract that the Group is reasonably certain it will exercise.

The Group subsequently depreciates the right-of-use asset using the straight-line method over the lease term and measures the lease liability using the effective interest method. Depreciation on the asset is recognised in 'Depreciation and amortisation', and interest on the lease liability is recognised in 'Interest expense'.

The judgements in determining lease balances are the determination of whether the Group is reasonably certain that it will exercise extension options present in lease contracts. On initial recognition, the Group considers a range of characteristics such as premises function, regional trends and the term remaining on the lease to determine whether it is reasonably certain that a contractual right to extend a lease will be exercised. Where a change in assumption is confirmed by the local property management team, a remeasurement is performed in the Group-managed vendor system.

The estimates were the determination of incremental borrowing rates in the respective economic environments. The Group uses third-party broker quotes to estimate its USD cost of senior unsecured borrowing, then uses cross-currency swap pricing information to determine the equivalent cost of borrowing in other currencies. If it is not possible to estimate an incremental borrowing rate through this process, other proxies such as local government bond yields are used.

The Group primarily enters lease contracts that grant it the right to use premises such as office buildings and retail branches.

Existing lease liabilities may change in future periods due to changes in assumptions or decisions to exercise lease renewal or termination options, changes in payments due to renegotiations of market rental rates as permitted by those contracts and changes to payments due to rent being contractually linked to an inflation index. In general the remeasurement of a lease liability under these circumstances leads to an equal change to the right-of-use asset balance, with no immediate effect on the income statement.

The total cash outflow during the year for premises and equipment leases was \$352 million (2019: \$397 million).

The total expense during the year in respect of leases with a term less than or equal to 12 months was less than \$1 million (2019: \$20 million).

The right-of-use asset balances and depreciation charges are disclosed in Note 18. The lease liability balances are disclosed in Note 23 and the interest expense on lease liabilities is disclosed in Note 3.

### Maturity analysis

The maturity profile for lease liabilities associated with leased premises and equipment assets is as follows:

	2020				Total \$million
	One year or less \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years \$million	
Other liabilities – lease liabilities	368	280	559	188	1,395
	restated 2019 <sup>1</sup>				
	One year or less \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years \$million	Total \$million
Other liabilities – lease liabilities	364	335	626	325	1,650

1 Prior year values have been restated to reflect undiscounted contractual cash flows that are allocated to the periods in which the Group is required to pay them

## 20. Other assets

### Accounting policy

Refer to Note 13 Financial instruments for the relevant accounting policy.

Commodities represent physical holdings where the Group has title and exposure to the Market Risk associated with the holding.

Commodities are fair valued with the fair value derived from observable spot or short-term futures prices from relevant exchanges.

Other assets include:

	2020 \$million	2019 \$million
Financial assets held at amortised cost (Note 13):		
Hong Kong SAR Government certificates of indebtedness (Note 23) <sup>1</sup>	7,295	6,911
Cash collateral	11,757	9,169
Acceptances and endorsements <sup>2</sup>	5,868	5,518
Unsettled trades and other financial assets	16,058	14,563
	40,978	36,161
Non-financial assets:		
Commodities <sup>3</sup>	7,239	5,465
Other assets	471	396
	48,688	42,022

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

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

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

## 21. Assets held for sale and associated liabilities

### Accounting policy

Financial instruments can be reclassified as held for sale if they are non-current assets or if they are part of a disposal group; however, in these circumstances financial instruments continue to be measured per the requirements of IFRS 9 Financial Instruments. Refer to Note 13 Financial instruments for the relevant accounting policy.

Non-current assets are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when:

- Their carrying amounts will be recovered principally through sale;
- They are available for immediate sale in their present condition; and
- Their sale is highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the assets are measured in accordance with the applicable accounting policies related to the asset or liability before reclassification as held for sale.

The assets below have been presented as held for sale following the approval of Group management and the transactions are expected to complete in 2020.

Following a decision by the Board of directors to exit the ship leasing business within CIB, the shipping portfolio has been moved to 'Held for sale'.

The financial assets reported below are classified under Level 1 \$nil (31 December 2019: \$70 million), Level 2 \$25 million (31 December 2019: nil) and Level 3 \$63 million (31 December 2019: \$260 million).

## 21. Assets held for sale and associated liabilities continued

### Assets held for sale

	2020 \$million	2019 \$million
Financial assets held at fair value through profit or loss	5	330
Loans and advances to customers	5	–
Equity shares	–	330
Financial assets held at amortised cost	83	90
Loans and advances to customers	83	32
Debt securities held at amortised cost	–	58
Interests in joint venture	–	800
Property, plant and equipment	358	833
Aircraft	–	49
Vessels	354	769
Others	4	15
	<b>446</b>	<b>2,053</b>

### Interests in joint venture

On the 20 May 2020 the Group completed the sale of its 44.56 per cent equity interest in PT Bank Permata Tbk to Bangkok Bank Public Company Limited for cash consideration of IDR 17 trillion (\$1,072 million).

The profit on sale is as follows:

	2020 \$million
Cash received	1,072
Less: Investment in joint venture	(800)
Gain on carrying value	272
Less: Translation and other reserve recycling and transaction costs <sup>1</sup>	(266)
<b>Net gain on disposal</b>	<b>6</b>

<sup>1</sup> Includes \$246 million exchange differences on translation of foreign operations

### Liabilities held for sale

	2020 \$million	2019 \$million
Other liabilities	–	9
	–	9

## 22. Debt securities in issue

### Accounting policy

Refer to Note 13 Financial instruments for the relevant accounting policy.

	2020			2019		
	Certificates of deposit of \$100,000 or more \$million	Other debt securities in issue \$million	Total \$million	Certificates of deposit of \$100,000 or more \$million	Other debt securities in issue \$million	Total \$million
Debt securities in issue	21,020	34,530	55,550	22,242	30,783	53,025
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (Note 13)	–	5,811	5,811	–	8,510	8,510
Total debt securities in issue	21,020	40,341	61,361	22,242	39,293	61,535

In 2020, the Company issued a total of \$6.8 billion senior notes for general business purposes of the Group as shown below:

Securities	\$million
\$2,000 million fixed rate senior notes due 2026 (callable 2025)	2,000
\$2,000 million fixed rate senior notes due 2031 (callable 2030)	2,000
\$1,000 million fixed rate senior notes due 2023 (callable 2022)	1,000
EUR 750 million fixed rate senior notes due 2028 (callable 2027)	917
\$500 million floating rate senior notes due 2023 (callable 2022)	500
HKD 1,081 million fixed rate senior notes due 2023 (callable 2022)	139
\$100 million zero coupon callable bond due 2050 (callable 2025)	100
\$80 million zero coupon callable bond due 2050 (callable 2023)	80
JPY 5,500 million fixed rate senior notes due 2023 (callable 2022)	53
\$50 million zero coupon callable bond due 2050 (callable 2023)	50
<b>Total senior notes issued</b>	<b>6,839</b>

In 2019, the Company issued a total of \$6.1 billion senior notes for general business purposes of the Group as shown below:

Securities	\$million
\$1,500 million callable floating rate senior notes due 2022 (callable 2021)	1,500
\$1,250 million callable fixed rate senior notes due 2022 (callable 2021)	1,250
\$1,000 million callable fixed rate senior notes due 2025 (callable 2024)	1,000
\$1,000 million callable fixed rate senior notes due 2030 (callable 2029)	1,000
EUR 500 million callable fixed rate senior notes due 2027 (callable 2026)	567
AUD 600 million callable fixed rate senior notes due 2025 (callable 2024)	417
AUD 400 million callable fixed rate senior notes due 2025 (callable 2024)	278
\$100 million zero coupon callable bond due 2049 (callable 2024)	100
Total senior notes issued	6,112

Where a debt instrument is callable, the issuer has the right to call.



## 23. Other liabilities

### Accounting policy

Refer to Note 13 Financial instruments for the relevant accounting policy for financial liabilities, Note 19 Leased assets for the accounting policy for leases, and Note 31 Share-based payments for the accounting policy for cash-settled share-based payments.

	2020 \$million	2019 \$million
Financial liabilities held at amortised cost (Note 13)		
Notes in circulation <sup>1</sup>	7,295	6,911
Acceptances and endorsements <sup>2</sup>	5,868	5,518
Cash collateral	10,136	7,824
Property leases <sup>3</sup>	1,127	1,275
Equipment leases <sup>3</sup>	20	20
Unsettled trades and other financial liabilities	22,782	19,601
	<b>47,228</b>	41,149
Non-financial liabilities		
Cash-settled share-based payments	41	50
Other liabilities	635	384
	<b>47,904</b>	41,583

1 Hong Kong currency notes in circulation of \$7,295 million (31 December 2019: \$6,911 million) that are secured by the Government of Hong Kong SAR certificates of indebtedness of the same amount included in Other assets (Note 20)

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

3 Other financial liabilities include the present value of lease liabilities, as required by IFRS 16 from 1 January 2019; refer to Note 19

## 24. Provisions for liabilities and charges

### Accounting policy

The Group recognises a provision for a present legal or constructive obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably. Where a liability arises based on participation in a market at a specified date, the obligation is recognised in the financial statements on that date and is not accrued over the period.

### Significant accounting estimates and judgements

The recognition and measurement of provisions for liabilities and charges requires significant judgement and the use of estimates about uncertain future conditions or events.

Estimates include the best estimate of the probability of outflow of economic resources, cost of settling a provision and timing of settlement. Judgements are required for inherently uncertain areas such as legal decisions (including external advice obtained), and outcome of regulator reviews.

	2020			2019		
	Provision for credit commitments \$million	Other provisions \$million	Total \$million	Provision for credit commitments \$million	Other provisions \$million	Total \$million
At 1 January	317	132	449	281	1,049	1,330
Exchange translation differences	(50)	(3)	(53)	5	4	9
Transfer	–	9	9	–	–	–
Charge against profit	103	22	125	35	239	274
Provisions utilised	(3)	(61)	(64)	(4)	(1,160)	(1,164)
<b>At 31 December</b>	<b>367</b>	<b>99</b>	<b>466</b>	317	132	449

Provision for credit commitment comprises those undrawn contractually committed facilities where there is doubt as to the borrowers' ability to meet their repayment obligations.

Other provisions consist mainly of provisions for regulatory settlements and legal claims, the nature of which are described in Note 26. (page 378).

## 25. Contingent liabilities and commitments

### Accounting policy

#### Financial guarantee contracts and loan commitments

The Group issues financial guarantee contracts and loan commitments in return for fees. Financial guarantee contracts and any loan commitments issued at below-market interest rates are initially recognised at their fair value as a financial liability, and subsequently measured at the higher of the initial value less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers and their expected credit loss provision. Loan commitments may be designated at fair value through profit or loss where that is the business model under which such contracts are held. Notional values of financial guarantee contracts and loan commitments are disclosed in the table below.

Financial guarantees, trade credits and irrevocable letters of credit are the notional values of contracts issued by the Group's Transaction Banking business for which an obligation to make a payment has not arisen at the reporting date. Transaction Banking will issue contracts to clients and counterparties of clients, whereby in the event the holder of the contract is not paid, the Group will reimburse the holder of the contract for the actual financial loss suffered. These contracts have various legal forms such as letters of credit, guarantee contracts and performance bonds. The contracts are issued to facilitate trade through export and import business, provide guarantees to financial institutions where the Group has a local presence, as well as guaranteeing project financing involving large construction projects undertaken by sovereigns and corporates. The contracts may contain performance clauses which require the counterparty performing services or providing goods to meet certain conditions before a right to payment is achieved, however the Group does not guarantee this performance. The Group will only guarantee the credit of the counterparty paying for the services or goods.

Commitments are where the Group has confirmed its intention to provide funds to a customer or on behalf of a customer under prespecified terms and conditions in the form of loans, overdrafts, future guarantees whether cancellable or not and the Group has not made payments at the balance sheet date; those instruments are included in these financial statements as commitments. Commitments and contingent liabilities are generally considered on demand as the Group may have to honour them, or the client may draw down at any time.

Capital commitments are contractual commitments the Group has entered into to purchase non-financial assets.

The table below shows the contract or underlying principal amounts of unmatured off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

	2020 \$million	Restated 2019 \$million
<b>Financial guarantees and trade credits</b>		
Financial guarantees, trade credits and irrevocable letters of credit	53,832	46,714 <sup>1</sup>
	<b>53,832</b>	46,714
<b>Commitments</b>		
Undrawn formal standby facilities, credit lines and other commitments to lend		
One year and over	68,848	64,450
Less than one year	24,500	19,520 <sup>2</sup>
Unconditionally cancellable	60,055	57,224 <sup>2</sup>
	<b>153,403</b>	141,194
<b>Capital commitments</b>		
Contracted capital expenditure approved by the directors but not provided for in these accounts <sup>3</sup>	135	419

1 Financial guarantees, trade credits and irrevocable letters of credit: separate disclosure as individual line items in 2019 as follows: Guarantees and irrevocable letters of credit \$37,007 million, Other contingent liabilities \$5,425 million, Documentary credits and short-term trade related transactions \$4,282 million

2 Undrawn formal standby facilities, credit lines and other commitments to lend: Less than one year – restated from \$34,925 million to \$19,520 million. Unconditionally cancellable – restated from \$41,819 million to \$57,224 million. Certain non-revolving facilities have now been classified as unconditionally cancellable

3 Of which the Group has commitments totalling \$110 million to purchase aircraft for delivery in 2021 (31 December 2019: \$400 million). No pre-delivery payments have been made in respect of these commitments (2019: \$ nil)

The Group's share of contingent liabilities and commitments relating to joint ventures is \$ nil (31 December 2019: \$251 million). On 20 May 2020 the Group completed the sale of its 44.56 per cent equity interest in PT Bank Permata Tbk to Bangkok Bank Public Company Limited. Please refer to Note 21 for further details. As set out in Note 26, the Group has contingent liabilities in respect of certain legal and regulatory matters for which it is not practicable to estimate the financial impact as there are many factors that may affect the range of possible outcomes.

## 26. Legal and regulatory matters

### Accounting policy

Where appropriate, the Group recognises a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation. The uncertainties inherent in legal and regulatory matters affect the amount and timing of any potential outflows with respect to which provisions have been established. These uncertainties also mean that it is not possible to give an aggregate estimate of contingent liabilities arising from such legal and regulatory matters.

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

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

In January 2020, a shareholder derivative complaint was filed in the New York State Court against 45 current and former directors and senior officers of the Group. It is alleged that the individuals breached their duties to the Group and caused a waste of corporate assets by permitting the conduct that gave rise to the costs and losses to the Group related to legacy conduct and control issues. Standard Chartered PLC, Standard Chartered Holdings Limited and Standard Chartered Bank are each named as "nominal defendants" in the complaint. The case is at an early procedural stage. On 23 December 2020, the Group filed a motion to dismiss the complaint.

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

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

## 27. Subordinated liabilities and other borrowed funds

### Accounting policy

Subordinated liabilities and other borrowed funds are classified as financial instruments. Refer to Note 13 Financial instruments for the accounting policy.

All subordinated liabilities are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle these debt instruments in certain circumstances as set out in the contractual agreements. Where a debt instrument is callable, the issuer has the right to call.

	2020 \$million	2019 \$million
<b>Subordinated loan capital – issued by subsidiary undertakings</b>		
£675 million 5.375 per cent undated step-up subordinated notes (callable 2020) <sup>1</sup>	–	298
£200 million 7.75 per cent subordinated notes (callable 2022) <sup>1</sup>	52	53
\$750 million 5.875 per cent subordinated notes due 2020 <sup>2</sup>	–	754
\$700 million 8.0 per cent subordinated notes due 2031 <sup>1</sup>	454	429
	<b>506</b>	1,534
<b>Subordinated loan capital – issued by the Company<sup>3</sup></b>		
Primary capital floating rate notes:		
\$400 million floating rate undated subordinated notes	16	16
\$300 million floating rate undated subordinated notes (Series 2)	69	69
\$400 million floating rate undated subordinated notes (Series 3)	50	50
\$200 million floating rate undated subordinated notes (Series 4)	26	26
£150 million floating rate undated subordinated notes	16	16
£900 million 5.125 per cent subordinated notes due 2034	930	855
\$2 billion 5.7 per cent subordinated notes due 2044	2,370	2,379
\$2 billion 3.95 per cent subordinated notes due 2023	2,066	2,009
\$1 billion 5.7 per cent subordinated notes due 2022	1,001	1,002
\$1 billion 5.2 per cent subordinated notes due 2024	1,141	1,069
\$750 million 5.3 per cent subordinated notes due 2043	785	786
€1.25 billion 4 per cent subordinated notes due 2025 (callable 2020)	–	1,421
€750 million 3.625 per cent subordinated notes due 2022	955	884
€500 million 3.125 per cent subordinated notes due 2024	646	585
SGD 700 million 4.4 per cent subordinated notes due 2026 (callable 2021)	530	525
\$1.25 billion 4.3 per cent subordinated notes due 2027	1,310	1,214
\$1 billion 3.516 per cent subordinated notes due 2030 (callable 2025)	997	996
\$500 million 4.886 per cent subordinated notes due 2033 (callable 2028)	499	499
£ 96.035m 7.375% Non-Cumulative Irredeemable Preference Shares (reclassified as Debt)	134	134
£ 99.250m 8.25% Non-Cumulative Irredeemable Preference Shares (reclassified as Debt)	138	138
€ 1 billion 2.5 per cent subordinated debt 2030	1,217	–
\$1.25 billion 3.265 per cent subordinated notes due 2036	1,252	–
	<b>16,148</b>	14,673
<b>Total for Group</b>	<b>16,654</b>	16,207

1 Issued by Standard Chartered Bank

2 Issued by Standard Chartered Bank (Hong Kong) Limited

3 In the balance sheet of the Company the amount recognised is \$16,069 million (2019: \$14,588 million), with the difference being the effect of hedge accounting achieved on a Group basis

## 27. Subordinated liabilities and other borrowed funds continued

	2020				
	USD \$million	GBP \$million	EUR \$million	Others \$million	Total \$million
Fixed rate subordinated debt	11,875	1,254	2,818	530	16,477
Floating rate subordinated debt	161	16	–	–	177
<b>Total</b>	<b>12,036</b>	<b>1,270</b>	<b>2,818</b>	<b>530</b>	<b>16,654</b>

  

	2019				
	USD \$million	GBP \$million	EUR \$million	Others \$million	Total \$million
Fixed rate subordinated debt	11,137	1,478	2,890	525	16,030
Floating rate subordinated debt	161	16	–	–	177
<b>Total</b>	<b>11,298</b>	<b>1,494</b>	<b>2,890</b>	<b>525</b>	<b>16,207</b>

### Redemptions and repurchases during the year

On 24 June 2020, Standard Chartered Bank (Hong Kong) Limited exercised its right to redeem USD 750 million 5.875 per cent subordinated notes 2020.

On 14 July 2020, Standard Chartered Bank exercised its right to redeem the remaining GBP 275 million of GBP 675 million 5.375 per cent undated step-up subordinated notes (callable 2020).

On 21 October 2020, Standard Chartered PLC exercised its right to redeem GBP 1250 million 4 per cent subordinated debt 2025 (callable 2020).

### Issuance during the year

On 9 June 2020, Standard Chartered PLC issued EUR 1,000 million 2.5 per cent subordinated debt 2030 (callable 2025).

On 19 November 2020, Standard Chartered PLC issued USD 1250 million 3.265 per cent subordinated notes due 2036.

## 28. Share capital, other equity instruments and reserves

### Accounting policy

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue available number of own equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Securities which carry a discretionary coupon and have no fixed maturity or redemption date are classified as other equity instruments. Interest payments on these securities are recognised, net of tax, as distributions from equity in the period in which they are paid.

Where the Company or other members of the consolidated Group purchase the Company's equity share capital, the consideration paid is deducted from the total shareholders' equity of the Group and/or of the Company as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity of the Group and/or the Company.

	Number of ordinary shares millions	Ordinary share capital <sup>1</sup> \$million	Ordinary share premium \$million	Preference share premium <sup>2</sup> \$million	Total share capital and share premium \$million	Other equity instruments \$million
At 1 January 2019	3,308	1,654	3,963	1,494	7,111	4,961
Shares issued	4	2	23	–	25	–
Cancellation of shares including share buy-back	(116)	(58)	–	–	(58)	–
Additional Tier 1 equity securities	–	–	–	–	–	552
<b>At 31 December 2019</b>	<b>3,196</b>	<b>1,598</b>	<b>3,986</b>	<b>1,494</b>	<b>7,078</b>	<b>5,513</b>
Cancellation of shares including share buy-back	(40)	(20)	–	–	(20)	–
Additional Tier 1 equity issuance	–	–	–	–	–	992
Additional Tier 1 redemption	–	–	–	–	–	(1,987)
<b>At 31 December 2020</b>	<b>3,156</b>	<b>1,578</b>	<b>3,986</b>	<b>1,494</b>	<b>7,058</b>	<b>4,518</b>

1 Issued and fully paid ordinary shares of 50 cents each

2 Includes preference share capital of \$75,000

## 28. Share capital, other equity instruments and reserves continued

### Share buy-back

On 28 February 2020, the Group announced the buy-back programme for a share buy-back of its ordinary shares of \$0.50 each. Nominal value of share purchases was \$20 million, and the total consideration paid was \$242 million. The total number of shares purchased was 40,029,585 representing 1.25 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account. On 31 March 2020, the Group announced that in response to a request from the Prudential Regulation Authority and as a consequence of the unprecedented challenges facing the world due to the COVID-19 pandemic, its Board had decided after careful consideration to withdraw the recommendation to pay a final dividend for 2019 of 20 cents per ordinary share and to suspend the buy-back programme.

Share buy-back of 2020	Number of ordinary shares	Average price paid per share £	Aggregate price paid £	Aggregate price paid \$
Mar – 2020	40,029,585	4.89428	195,916,167	241,705,472

### Ordinary share capital

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

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

### Preference share capital

At 31 December 2020, the Company has 15,000 \$5 non-cumulative redeemable preference shares in issue, with a premium of \$99,995 making a paid-up amount per preference share of \$100,000. The preference shares are redeemable at the option of the Company and are classified in equity.

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

### Other equity instruments

On 2 April 2015, Standard Chartered PLC issued \$2,000 million Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities as Additional Tier 1 (AT1) securities, raising \$1,987 million after issue costs. This security was redeemed on its first optional redemption date of 2 April 2020. On 18 August 2016, Standard Chartered PLC issued \$2,000 million fixed rate resetting perpetual subordinated contingent convertible securities as AT1 securities, raising \$1,982 million after issue costs. On 18 January 2017, Standard Chartered PLC issued \$1,000 million fixed rate resetting perpetual subordinated contingent convertible securities as AT1 securities, raising \$992 million after issue costs. On 3 July 2019, Standard Chartered PLC issued SGD 750 million Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities as AT1 securities, raising \$552 million after issue costs. On 26 June 2020, Standard Chartered PLC issued \$1,000 million fixed rate resetting perpetual subordinated AT1 securities, raising \$992 million after issue costs. All issuances are made for general business purposes and to increase the regulatory capital base of the Group.

The principal terms of the AT1 securities are described below:

- The securities are perpetual and redeemable, at the option of Standard Chartered PLC in whole but not in part, on the first interest reset date and each date falling five years after the first reset date
- The securities are also redeemable for certain regulatory or tax reasons on any date at 100 per cent of their principal amount together with any accrued but unpaid interest up to (but excluding) the date fixed for redemption. Any redemption is subject to Standard Chartered PLC giving notice to the relevant regulator and the regulator granting permission to redeem
- The interest rate in respect of the securities issued on 26 June 2020 for the period from (and including) the issue date to (but excluding) 26 July 2025 is a fixed rate of 6 per cent per annum. The first reset date for the interest rate is 26 July 2025 and each date falling five years, or an integral multiple of five years, after the first reset date.
- Interest on the securities are accounted for as a dividend and it is due and payable only at the sole and absolute discretion of Standard Chartered PLC, subject to certain additional restrictions set out in the terms and conditions. Accordingly, Standard Chartered PLC may at any time elect to cancel any interest payment (or part thereof) which would otherwise be payable on any interest payment date
- The securities convert into ordinary shares of Standard Chartered PLC, at a pre-determined price detailed in the table below, should the fully loaded Common Equity Tier 1 ratio of the Group fall below 7.0 per cent. Approximately 645 million ordinary shares would be required to satisfy the conversion of all the securities mentioned above

## 28. Share capital, other equity instruments and reserves continued

Issuance date	Nominal value	Fixed coupon	Interest payment dates	First reset dates*	Conversion price per ordinary share
18 August 2016	USD 2,000 million	7.5%	2 April, 2 October	2 April 2022	USD 7.732
18 January 2017	USD 1,000 million	7.75%	2 April, 2 October	2 April 2023	USD 7.732
3 July 2019	SGD 750 million	5.375%	3 April, 3 October	3 October 2024	SGD 10.909
26 Jun 2020	USD 1,000 million	6%	26 January, 26 July	26 January 2026	USD 5.331

\* Subsequent reset dates are each date falling five years, or an integral multiple of five years, after the first reset date.

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' represent 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

A substantial part of the Group's reserves is held in overseas subsidiary undertakings and branches, principally to support local operations or to comply with local regulations. The maintenance of local regulatory capital ratios could potentially restrict the amount of reserves which can be remitted. In addition, if these overseas reserves were to be remitted, further unprovided taxation liabilities might arise.

As at 31 December 2020, the distributable reserves of Standard Chartered PLC (the Company) were \$14.3 billion (31 December 2019: \$14.3 billion). These comprised retained earnings and \$12.6 billion of the merger reserve account. Distribution of reserves is subject to maintaining minimum capital requirements.



## 28. Share capital, other equity instruments and reserves continued

### Own shares

Computershare Trustees (Jersey) Limited is the trustee of the 2004 Employee Benefit Trust ('2004 Trust') and Ocorian Trustees (Jersey) Limited (formerly known as Bedell Trustees Limited) is the trustee of the 1995 Employees' Share Ownership Plan Trust ('1995 Trust'). The 2004 Trust is used in conjunction with the Group's employee share schemes and the 1995 Trust is used for the delivery of other employee share-based payments (such as upfront shares and fixed pay allowances). Group companies fund these trusts from time to time to enable the trustees to acquire shares to satisfy these arrangements.

Except as disclosed, neither the Company nor any of its subsidiaries has bought, sold or redeemed any securities of the Company listed on The Stock Exchange of Hong Kong Limited during the period. Details of the shares purchased and held by the trusts are set out below.

	1995 Trust		2004 Trust <sup>1</sup>		Total	
	2020	2019	2020	2019	2020	2019
Shares purchased during the period	2,999,210	646,283	14,359,481	24,065,354	17,358,691	24,711,637
Market price of shares purchased (\$million)	22	5	86	201	108	206
Shares transferred between trusts	(2,999,210)	(3,001,103)	2,999,210	3,001,103	-	-
Shares held at the end of the period	-	-	6,119,666	5,113,455	6,119,666	5,113,455
Maximum number of shares held during the period					11,262,818	15,070,923

1 Note that 1,489,139 shares were purchased by the trustee of the 2004 Trust using \$10 million participant savings as part of Sharesave exercises

### Changes in share capital and other equity instruments of Standard Chartered PLC subsidiaries

The table below details the transactions in equity instruments (including convertible and hybrid instruments) of the Group's subsidiaries, including issuances, conversions, redemptions, purchase or cancellation. This is required under the Hong Kong Listing requirements, appendix 16 paragraph 10.

Name and registered address	Country of incorporation	Description of shares	Issued/(redeemed) capital	Issued/(redeemed) Shares	Proportion of shares held (%)
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom					
Standard Chartered Bank	United Kingdom	\$1.00 Ordinary shares	\$300,000,000	300,000,000	100
Standard Chartered Holdings Limited	United Kingdom	\$2.00 Ordinary shares	\$370,000,000	185,000,000	100
Standard Chartered I H Limited	United Kingdom	\$1.00 Ordinary shares	\$70,000,000	70,000,000	100
Standard Chartered UK Holdings Limited	United Kingdom	£10.00 Ordinary shares	£56,164,330	5,616,433	100
The following companies have the address of TMF Group, 8th Floor, 20 Farringdon Street, London, EC4A 4AB, United Kingdom.					
Zodia Custody Limited	United Kingdom	\$1.00 Ordinary shares	\$3,000,000	3,000,000	100
Zodia Holdings Limited	United Kingdom	\$1.00 Ordinary shares	\$4,999,999	4,999,999	100
The following company has the address of Avenida Brigadeiro Faria Lima, no 3.477, 6º andar, conjunto 62 – Torre Norte, Condominio Patio Victor Malzoni, CEP 04538-133, São Paulo, Brazil					
Standard Chartered Participacoes Ltda	Brazil	BRL1.00 Ordinary shares	BRL(241,371,991)	(241,371,991)	100
The following company has the address of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road George Town, Grand Cayman KY1-9008, Cayman Islands					
Sirat Holdings Limited	Cayman Islands	\$0.01 Preference shares	\$(3)	(300)	100



**28. Share capital, other equity instruments and reserves continued**

Name and registered address	Country of incorporation	Description of shares	Issued/(redeemed) capital	Issued/(redeemed) Shares	Proportion of shares held (%)
The following company have the address of Units 61-65 (Office use only), Self-numbered Room 01-04, Room 901, No 6, Zhujiang East Road, Tianhe District, Guangzhou City, Guangdong Province, China					
Standard Chartered (Guangzhou) Business Management Co.Ltd.	China	\$ Ordinary shares	\$13,000,000	13,000,000	100
Standard Chartered Global Business Services (Guangzhou) Co.Ltd.	China	\$ Ordinary shares	\$3,000,000	3,000,000	100
The following company has the address of Standard Chartered Bank Ghana Limited, 87, Independence Avenue, Post Office Box 678, Accra, Ghana					
Standard Chartered Wealth Management Limited Company	Ghana	GHS Ordinary shares	GHS100,000	100,000	100
The following company has the address of 25/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong					
Marina Leasing Limited	Hong Kong	\$ Ordinary shares	\$36,000,000	36,000,000	100
The following company has the address of 3/F Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong					
Standard Chartered Private Equity Limited	Hong Kong	\$ Ordinary shares	\$(573,000,000)	(573,000,000)	100
The following company has the address of 21/F, Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong					
Standard Chartered Asia Limited	Hong Kong	\$ Ordinary shares	\$(612,000,000)	(612,000,000)	100
The following company has the address of 32/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong					
Mox Bank Limited	Hong Kong	HKD Ordinary shares	HKD46,920,000	46,920,000	65.1
The following company has the address of Second Floor, Indiquebe Edge, Khata No. 571/630/6/4, Sy.No.6/4, Ambalipura Village, Varthur Hobli, Marathahalli Sub-Division, Ward No. 150, Bengaluru, 560102, India.					
Standard Chartered Research and Technology India Private Limited	India	INR10.00 A Equity shares	INR41,555,370	4,155,537	100
		INR10.00 Preference shares	INR189,923,900	18,992,390	100
The following company has the address of Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands					
Marina Lilac Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	\$49,990	49,990	100
The following company has the address of c/o Ocorian Corporate Services (Mauritius) Ltd, 6th Floor, Tower A, 1 Cybercity, Ebene, 72201, Mauritius					
Standard Chartered Private Equity (Mauritius) Limited	Mauritius	\$ Redeemable preference shares	\$(21,584,069)	(21,584,069)	100
The following company has the address of Rondo Daszyńskiego 2B, 00-843, Warsaw, Poland					

## 28. Share capital, other equity instruments and reserves continued

Name and registered address	Country of incorporation	Description of shares	Issued/(redeemed) capital	Issued/(redeemed) Shares	Proportion of shares held (%)
Standard Chartered Global Business Services spółka z ograniczona odpowiedzialnoscia	Poland	PLN50.00 Ordinary shares	PLN4,923,100	98,462	100
The following company has the address of 9 & 11, Lightfoot Boston Street, Freetown, Sierra Leone					
Standard Chartered Bank Sierra Leone Limited	Sierra Leone	SLL1.00 Ordinary shares	SLL34,564,477,113	34,564,477,113	80.7
The following company has the address of 8 Marina Boulevard, Level 26, Marina Bay Financial Centre, Tower 1, 018981, Singapore					
Marina Poise Shipping Pte. Ltd.	Singapore	\$ Ordinary shares	\$13,142	13,142	100
The following company has the address of 8 Marina Boulevard, #27-01 Marina Bay Financial Centre Tower 1, 018981, Singapore					
SC Bank Solutions (Singapore) Limited	Singapore	SGD Ordinary shares	SGD50,000,000	50,000,000	100
The following companies have the address of 80 Robinson Road, #02-00, 068898, Singapore					
Autumn Life Pte. Ltd.	Singapore	\$ Ordinary shares	\$4,500,000	4,500,000	100
Cardspal Pte. Ltd.	Singapore	\$ Ordinary shares	\$3,240,000	3,240,000	100
Nexco Pte. Ltd.	Singapore	\$ Ordinary shares	\$1	1	100
The following company has the address of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road George Town, Grand Cayman KY1-9008, Cayman Islands					
Standard Chartered Principal Finance (Cayman) Limited	Cayman Islands	\$0.0001 Ordinary shares	\$140	1,400,000	100
The following company has the address of 20 Adelaide Street, Suite 1105, Toronto ON M5C 2T6 Canada					
Standard Chartered (Canada) Limited	Canada	CAD1.00 Ordinary shares	CAD10	10	100

Please see Note 22 Debt securities in issue for issuances and redemptions of senior notes.

Please see Note 27 Subordinated liabilities and other borrowed funds for issuance and redemptions of subordinated liabilities and AT1 securities.

Please see Note 40 Related undertakings of the Group for subsidiaries liquidated, dissolved or sold during the year.

## 29. Non-controlling interests

### Accounting policy

Non-controlling interests are measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

	\$million
At 1 January 2019	273
Income in equity attributable to non-controlling interests	(17)
Other profits attributable to non-controlling interests	37
Comprehensive income for the year	20
Distributions	(35)
Other increases <sup>1</sup>	55
At 31 December 2019	313
Income in equity attributable to non-controlling interests	(12)
Other profits attributable to non-controlling interests	27
Comprehensive income for the year	15
Distributions	(20)
Other increases <sup>2</sup>	17
At 31 December 2020	325

1 Comprises \$72 million of non-controlling interest in Mox Bank Limited offset by \$17 million disposal of non-controlling interest of Phoon Huat Ltd, Sirat Holdings Limited and Ori Private Limited

2 \$17 million movement related to non-controlling interest from Mox Bank Limited

## 30. Retirement benefit obligations

### Accounting policy

The Group operates pension and other post-retirement benefit plans around the world, which can be categorised into defined contribution plans and defined benefit plans. For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a statutory or contractual basis, and such amounts are charged to operating expenses. The Group has no further payment obligations once the contributions have been paid.

For funded defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. For unfunded defined benefit plans the liability recognised at the balance sheet date is the present value of the defined benefit obligation.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit method.

Actuarial gains and losses that arise are recognised in shareholders' equity and presented in the statement of other comprehensive income in the period they arise. The Group determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense, the cost of the accrual of new benefits, benefit enhancements (or reductions) and administration expenses met directly from plan assets are recognised in the income statement in the period in which they were incurred.

### Significant accounting estimates and judgements

There are many factors that affect the measurement of the retirement benefit obligations. This measurement requires the use of estimates, such as discount rates, inflation, pension increases, salary increases, and life expectancies which are inherently uncertain. Discount rates are determined by reference to market yields at the end of the reporting period on high-quality corporate bonds (or, in countries where there is no deep market in such bonds, government bonds) of a currency and term consistent with the currency and term of the post-employment benefit obligations. This is the approach adopted across our geographies. Where there are inflation-linked bonds available (e.g. United Kingdom and the eurozone), the Group derives inflation based on the market on those bonds, with the market yield adjusted in respect of the United Kingdom to take account of the fact that liabilities are linked to Consumer Price Index inflation, whereas the reference bonds are linked to Retail Price Index inflation. Where no inflation-linked bonds exist, we determine inflation assumptions based on a combination of long-term forecasts and short-term inflation data. Salary growth assumptions reflect the Group's long-term expectations, taking into account future business plans and macroeconomic data (primarily expected future long-term inflation). Demographic assumptions, including mortality and turnover rates, are typically set based on the assumptions used in the most recent actuarial funding valuation, and will generally use industry standard tables, adjusted where appropriate to reflect recent historic experience and/or future expectations. The sensitivity of the liabilities to changes in these assumptions is shown in the Note below.

### 30. Retirement benefit obligations continued

Retirement benefit obligations comprise:

	2020 \$million	2019 \$million
Defined benefit plans obligation	434	458
Defined contribution plans obligation	9	11
Net obligation	443	469

Retirement benefit charge comprises:

	2020 \$million	2019 \$million
Defined benefit plans	81	73
Defined contribution plans	277	299
Charge against profit (Note 7)	358	372

The Group operates over 60 defined benefit plans across its geographies, many of which are closed to new entrants who now join defined contribution arrangements. The aim of all these plans is, as part of the Group's commitment to financial wellbeing for employees, to give employees the opportunity to save appropriately for retirement in a way that is consistent with local regulations, taxation requirements and market conditions. The defined benefit plans expose the Group to currency risk, interest rate risk, investment risk and actuarial risks such as Longevity Risk.

The material holdings of government and corporate bonds shown on page 389 partially hedge movements in the liabilities resulting from interest rate and inflation changes. Setting aside movements from other drivers such as currency fluctuation, the reductions in discount rates in most geographies over 2020 have led to higher liabilities. These have been largely offset by increases in the value of bonds held and good stock market performance. These movements are shown as actuarial losses versus gains respectively in the tables below. Contributions into a number of plans in excess of the amounts required to fund benefits accruing have also helped to reduce the net deficit over the year.

The disclosures required under IAS 19 have been calculated by independent qualified actuaries based on the most recent full actuarial valuations updated, where necessary, to 31 December 2020.

#### UK Fund

The Standard Chartered Pension Fund (the 'UK Fund') is the Group's largest pension plan, representing 63 per cent (31 December 2019: 60 per cent) of total pension liabilities. The UK Fund is set up under a trust that is legally separate from the Bank (its formal sponsor) and, as required by UK legislation, at least one-third of the trustee directors are nominated by members; the remainder are appointed by the Bank. The trustee directors have a fiduciary duty to members and are responsible for governing the UK Fund in accordance with its Trust Deed and Rules.

The UK Fund was closed to new entrants from 1 July 1998 and closed to the accrual of new benefits from 1 April 2018: all employees are now offered membership of a defined contribution plan.

The financial position of the UK Fund is regularly assessed by an independent qualified actuary. The funding valuation as at 31 December 2017 was completed in December 2018 by the then Scheme Actuary, A Zegleman of Willis Towers Watson, using assumptions different from those on page 388, and agreed with the UK Fund trustee. It showed that the UK Fund was 89% funded at that date revealing a past service deficit of \$210 million (£159 million). To repair the deficit, four annual cash payments of \$42.2 million (£32.9 million) were agreed, with three of these having been paid in December 2018, December 2019 and December 2020. The agreement allows that if the funding position improves to being at or near a surplus in future years the payments due in December 2021 will be reduced or eliminated. In addition, an escrow account of \$150 million (£110 million) exists to provide security for future contributions. The 31 December 2020 funding valuation is currently underway and may conclude by altering, or adding to, the cash payment due in 2021. Its analysis of mortality experience has driven the small adjustment to life expectancy assumptions shown below.

The Group is not required to recognise any additional liability under IFRIC 14 or the 2015 exposure draft of proposed amendments to it, as the Bank has control of any pension surplus under the Trust Deed and Rules.

#### Overseas plans

The principal overseas defined benefit arrangements operated by the Group are in Germany, Hong Kong, India, Jersey, Korea, Taiwan, United Arab Emirates (UAE) and the United States of America (US). Plans in Germany, Hong Kong, India, Korea, Taiwan and UAE remain open for accrual of future benefits.

### 30. Retirement benefit obligations continued

#### Key assumptions

The principal financial assumptions used at 31 December 2020 were:

	Funded plans			
	UK Fund		Overseas Plans <sup>1</sup>	
	2020 %	2019 %	2020 %	2019 %
Discount rate	1.4	2.0	0.3 – 2.8	0.7 – 3.4
Price Inflation	2.2	2.1	1.0 – 3.0	1.0 – 3.0
Salary increases	n/a	n/a	2.9 – 4.0	3.0 – 4.0
Pension increases	2.1	2.1	1.3 – 2.7	1.4 – 3.0

<sup>1</sup> The range of assumptions shown is for the main defined benefit overseas plans in Germany, Hong Kong, Jersey, Korea, Taiwan, UAE and the US. These comprise around 85 per cent of the total liabilities of overseas defined benefit plans

	Unfunded plans			
	US post-retirement medical		Other <sup>1</sup>	
	2020 %	2019 %	2020 %	2019 %
Discount rate	2.8	3.4	1.4 – 6.3	1.5 – 7.0
Price inflation	2.5	2.5	2.0 – 4.0	2.0 – 4.0
Salary increases	N/A	N/A	3.5 – 7.0	3.5 – 7.0
Pension increases	N/A	N/A	0.0 – 2.1	0.0 – 2.1
Post-retirement medical rate	7% in 2020 reducing by 0.5% per annum to 5% in 2024	8% in 2019 reducing by 1% per annum to 5% in 2022		N/A

<sup>1</sup> The range of assumptions shown is for the main unfunded plans in Bahrain, India, Korea, Thailand, UAE and the UK. They comprise around 95 per cent of the total liabilities of other unfunded plans

The principal non-financial assumptions are those made for UK life expectancy. The assumptions for life expectancy for the UK Fund are that a male member currently aged 60 will live for 27 years (31 December 2019: 28 years) and a female member for 30 years (31 December 2019: 29 years) and a male member currently aged 40 will live for 29 years (31 December 2019: 31 years) and a female member for 31 years (31 December 2019: 30 years) after their 60th birthdays.

Both financial and non-financial assumptions can be expected to change in the future, which would affect the value placed on the liabilities. For example, changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

- If the discount rate increased by 25 basis points the liability would reduce by approximately \$75 million for the UK Fund (31 December 2019: \$65 million) and \$40 million for the other plans (31 December 2019: \$35 million)
- If the rate of inflation increased by 25 basis points the liability, allowing for the consequent impact on pension and salary increases would increase by approximately \$50 million for the UK Fund (31 December 2019: \$45 million) and \$25 million for the other plans (31 December 2019: \$25 million)
- If the rate salaries increase compared to inflation increased by 25 basis points the liability would increase by nil for the UK Fund (31 December 2019: nil) and approximately \$15 million for the other plans (31 December 2019: \$15 million)
- If longevity expectations increased by one year the liability would increase by approximately \$70 million for the UK Fund (31 December 2019: \$60 million) and \$20 million for the other plans (31 December 2019: \$15 million)

Although this analysis does not take account of the full distribution of cash flows expected, it does provide an approximation of the sensitivity to the main assumptions. While changes in other assumptions would also have an impact, the effect would not be as significant.

### 30. Retirement benefit obligations continued

#### Profile of plan obligations

	Funded plans		Unfunded plans	
	UK Fund	Overseas	Post-retirement medical	Other
Duration of the defined benefit obligation (in years)	15	11	10	11
(Duration of the defined benefit obligation – 2019)	16	11	10	12
Benefits expected to be paid from plans				
Benefits expected to be paid during 2021	86	60	1	17
Benefits expected to be paid during 2022	88	79	1	15
Benefits expected to be paid during 2023	90	77	1	15
Benefits expected to be paid during 2024	92	80	1	15
Benefits expected to be paid during 2025	94	78	1	16
Benefits expected to be paid during 2026 to 2030	499	516	5	79

Fund values:

The fair value of assets and present value of liabilities of the plans attributable to defined benefit members were:

	2020				2019			
	Funded plans		Unfunded plans		Funded plans		Unfunded plans	
	UK Fund \$million	Overseas plans \$million	Post-retirement medical \$million	Other \$million	UK Fund \$million	Overseas plans \$million	Post-retirement medical \$million	Other \$million
At 31 December								
Equities	118	374	N/A	N/A	102	349	N/A	N/A
Government bonds	844	189	N/A	N/A	956	196	N/A	N/A
Corporate bonds	508	129	N/A	N/A	189	121	N/A	N/A
Absolute Return Fund	94	–	N/A	N/A	158	–	N/A	N/A
Hedge funds <sup>1</sup>	89	–	N/A	N/A	100	–	N/A	N/A
Insurance linked funds <sup>1</sup>	36	–	N/A	N/A	37	–	N/A	N/A
Property	74	9	N/A	N/A	75	32	N/A	N/A
Derivatives	20	4	N/A	N/A	13	3	N/A	N/A
Cash and equivalents	141	297	N/A	N/A	77	163	N/A	N/A
Others <sup>1</sup>	10	21	N/A	N/A	8	31	N/A	N/A
Total fair value of assets <sup>2</sup>	1,934	1,023	N/A	N/A	1,715	895	N/A	N/A
Present value of liabilities	(1,982)	(1,147)	(16)	(246)	(1,832)	(1,010)	(16)	(210)
Net pension plan obligation	(48)	(124)	(16)	(246)	(117)	(115)	(16)	(210)

1 Unquoted assets

2 Self-investment is monitored closely and is less than \$1 million of Standard Chartered equities and bonds for 2020 (31 December 2019: <\$1 million). Self-investment is only allowed where it is not practical to exclude it – for example through investment in index-tracking funds where the Group is a constituent of the relevant index

### 30. Retirement benefit obligations continued

The pension cost for defined benefit plans was:

	Funded plans		Unfunded plans		Total \$million
	UK Fund \$million	Overseas plans \$million	Post-retirement medical \$million	Other \$million	
<b>2020</b>					
Current service cost <sup>1</sup>	-	50	-	7	57
Past service cost and curtailments <sup>2</sup>	-	-	-	14	14
Settlement cost	-	-	-	-	-
Interest income on pension plan assets	(32)	(28)	-	-	(60)
Interest on pension plan liabilities	35	29	1	5	70
<b>Total charge to profit before deduction of tax</b>	<b>3</b>	<b>51</b>	<b>1</b>	<b>26</b>	<b>81</b>
Net gain on plan assets <sup>3</sup>	(160)	(81)	-	-	(241)
Losses on liabilities	131	88	(1)	22	240
Total (gains)/losses recognised directly in statement of comprehensive income before tax	(29)	7	(1)	22	(1)
Deferred taxation	-	(9)	-	-	(9)
<b>Total (gains) /losses after tax</b>	<b>(29)</b>	<b>(2)</b>	<b>(1)</b>	<b>22</b>	<b>(10)</b>

1 Includes administrative expenses paid out of plan assets of \$2 million (31 December 2019: \$2 million)

2 Past service costs arose primarily due to recognition of a legacy UK long-term sick plan which has been clarified as technically representing a defined benefit

3 The actual return on the UK Fund assets was a gain of \$192 million and on overseas plan assets was a gain of \$109 million

The pension cost for defined benefit plans was:

	Funded plans		Unfunded plans		Total \$million
	UK Fund \$million	Overseas plans \$million	Post-retirement medical \$million	Other \$million	
<b>2019</b>					
Current service cost <sup>1</sup>	-	49	-	12	61
Past service cost and curtailments <sup>2</sup>	-	2	-	(1)	1
Settlement cost	-	-	-	-	-
Interest income on pension plan assets	(43)	(26)	-	-	(69)
Interest on pension plan liabilities	44	29	1	6	80
Total charge to profit before deduction of tax	1	54	1	17	73
Net gain on plan assets <sup>3</sup>	(86)	(88)	-	-	(174)
Losses on liabilities	196	77	(2)	27	298
Total losses/(gains) recognised directly in statement of comprehensive income before tax	110	(11)	(2)	27	124
Deferred taxation	5	-	-	-	5
Total losses/(gains) after tax	115	(11)	(2)	27	129

1 Includes administrative expenses paid out of plan assets of \$1 million (31 December 2018: \$2 million)

2 Past service costs arose primarily due to plan changes in Thailand and US, and were largely offset by past service credits due to plan changes in UAE

3 The actual return on the UK Fund assets was a gain of \$129 million and on overseas plan assets was a gain of \$114 million

Movement in the defined benefit pension plans and post-retirement medical deficit during the year comprise:

	Funded plans		Unfunded plans		Total \$million
	UK Fund \$million	Overseas plans \$million	Post-retirement medical \$million	Other \$million	
Deficit at 1 January 2020	(117)	(115)	(16)	(210)	(458)
Contributions	44	63	-	16	123
Current service cost <sup>1</sup>	-	(50)	-	(7)	(57)
Past service cost and curtailments	-	-	-	(14)	(14)
Settlement costs and transfers impact <sup>2</sup>	-	(5)	-	-	(5)
Net interest on the net defined benefit asset/liability	(3)	(1)	(1)	(5)	(10)
Actuarial gains/(losses)	29	(7)	1	(22)	1
Exchange rate adjustment	(1)	(9)	-	(4)	(14)
<b>Deficit at 31 December 2020<sup>3</sup></b>	<b>(48)</b>	<b>(124)</b>	<b>(16)</b>	<b>(246)</b>	<b>(434)</b>

1 Includes administrative expenses paid out of plan assets of \$2 million (31 December 2019: \$1 million)

2 Impact of transfers relates to a gratuity plan in India which was included within IAS 19 disclosures for the first time this year. Previously, a separate provision for these liabilities was included on the balance sheet

3 The deficit total of \$434 million is made up of plans in deficit of \$476 million (31 December 2019: \$486 million) net of plans in surplus with assets totalling \$42 million (31 December 2019: \$28 million)

### 30. Retirement benefit obligations continued

Movement in the defined benefit pension plans and post-retirement medical deficit during the year comprise:

	Funded plans		Unfunded plans		Total \$million
	UK Fund \$million	Overseas plans \$million	Post-retirement medical \$million	Other \$million	
Deficit at 1 January 2019	(50)	(129)	(17)	(190)	(386)
Contributions	44	73	–	20	137
Current service cost <sup>1</sup>	–	(49)	–	(12)	(61)
Past service cost and curtailments	–	(2)	–	1	(1)
Settlement costs and transfers impact	–	–	–	–	–
Net interest on the net defined benefit asset/liability	(1)	(3)	(1)	(6)	(11)
Actuarial (losses)/gains	(110)	11	2	(27)	(124)
Exchange rate adjustment	–	(16)	–	4	(12)
Deficit at 31 December 2019 <sup>2</sup>	(117)	(115)	(16)	(210)	(458)

1 Includes administrative expenses paid out of plan assets of \$1 million (31 December 2018: \$2 million)

2 The deficit total of \$458 million is made up of plans in deficit of \$486 million (31 December 2018: \$421 million) net of plans in surplus with assets totalling \$28 million (31 December 2018: \$35 million)

The Group's expected contribution to its defined benefit pension plans in 2021 is \$120 million.

	2020			2019		
	Assets \$million	Obligations \$million	Total \$million	Assets \$million	Obligations \$million	Total \$million
At 1 January 2020	2,610	(3,068)	(458)	2,410	(2,796)	(386)
Contributions <sup>1</sup>	123	–	123	137	–	137
Current service cost <sup>2</sup>	–	(57)	(57)	–	(61)	(61)
Past service cost and curtailments	–	(14)	(14)	–	(1)	(1)
Settlement costs & impact of transfers <sup>3</sup>	19	(24)	(5)	(7)	7	–
Interest cost on pension plan liabilities	–	(70)	(70)	–	(80)	(80)
Interest income on pension plan assets	60	–	60	69	–	69
Benefits paid out <sup>2</sup>	(161)	161	–	(165)	165	–
Actuarial gains/(losses) <sup>4</sup>	241	(240)	1	174	(298)	(124)
Exchange rate adjustment	65	(79)	(14)	(8)	(4)	(12)
<b>At 31 December 2020</b>	<b>2,957</b>	<b>(3,391)</b>	<b>(434)</b>	<b>2,610</b>	<b>(3,068)</b>	<b>(458)</b>

1 Includes employee contribution of nil (31 December 2019: nil)

2 Includes administrative expenses paid out of plan assets of \$1 million (31 December 2019: \$1 million)

3 Impact of transfers relates to a gratuity plan in India which was included within IAS 19 Disclosures for the first time this year. Previously, a separate provision for these liabilities was included elsewhere on the balance sheet

4 Actuarial loss on obligation comprises \$256 million loss (31 December 2019: \$267 million loss) from financial assumption changes, \$21 million gain (31 December 2019: \$4 million loss) from demographic assumption changes and \$5 million loss (31 December 2019: \$18 million loss) from experience



### 31. Share-based payments

#### Accounting policy

The Group operates equity-settled and cash-settled share-based compensation plans. The fair value of the employee services (measured by the fair value of the awards granted) received in exchange for the grant of the shares and awards is recognised as an expense. For deferred share awards granted as part of an annual performance award, the expense is recognised over the period from the start of the performance period to the vesting date. For example, the expense for three-year awards granted in 2021 in respect of 2020 performance, which vest in 2022-24, is recognised as an expense over the period from 1 January 2020 to the vesting dates in 2022-24. For all other awards, the expense is recognised over the period from the date of grant to the vesting date.

For equity-settled awards, the total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and awards at the date of grant, which excludes the impact of any non-market vesting conditions (for example, profitability and growth targets). The fair value of equity instruments granted is based on market prices, if available, at the date of grant. In the absence of market prices, the fair value of the instruments is estimated using an appropriate valuation technique, such as a binomial option pricing model. Non-market vesting conditions are included in assumptions for the number of shares and awards that are expected to vest.

At each balance sheet date, the Group revises its estimates of the number of shares and awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period. Forfeitures prior to vesting attributable to factors other than the failure to satisfy service conditions and non-market vesting conditions are treated as a cancellation and the remaining unamortised charge is debited to the income statement at the time of cancellation. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when awards in the form of options are exercised.

Cash-settled awards are revalued at each balance sheet date and a liability recognised on the balance sheet for all unpaid amounts, with any changes in fair value charged or credited to staff costs in the income statement until the awards are exercised. Where forfeitures occur prior to vesting that are attributable to factors other than a failure to satisfy service conditions or market-based performance conditions, the cumulative charge incurred up to the date of forfeiture is credited to the income statement. Any revaluation related to cash-settled awards is recorded as an amount due from subsidiary undertakings.

The Group operates a number of share-based arrangements for its executive directors and employees. Details of the share-based payment charge are set out below.

	2020 <sup>1</sup>			2019 <sup>1</sup>		
	Cash \$million	Equity \$million	Total \$million	Cash \$million	Equity \$million	Total \$million
Deferred share awards	(1)	59	58	13	88	101
Other share awards	(1)	75	74	12	53	65
Total share-based payments	(2)	134	132	25	141	166

<sup>1</sup> No forfeiture assumed

#### 2011 Standard Chartered Share Plan (the '2011 Plan')

The 2011 Plan was approved by shareholders in May 2011 and is the Group's main share plan. Since approval, it has been used to deliver various types of share awards:

- Long term incentive plan (LTIP) awards: granted with vesting subject to performance measures. Performance measures attached to awards granted previously include: total shareholder return (TSR); return on equity (RoE) and return on tangible equity (RoTE) (in the case of both RoE and RoTE, with a Common Equity Tier 1 (CET1) underpin); strategic measures; earnings per share (EPS) growth; and return on risk-weighted assets (RoRWA). Each measure is assessed independently over a three-year period. Awards granted from 2016 have an individual conduct gateway requirement that results in the award lapsing if not met
- Deferred awards are used to deliver the deferred portion of variable remuneration, in line with both market practice and regulatory requirements. These awards vest in instalments on anniversaries of the award date specified at the time of grant. Deferred awards are not subject to any plan limit. This enables the Group to meet regulatory requirements relating to deferral levels, and is in line with market practice
- Restricted share awards, made outside of the annual performance process as replacement buy-out awards to new joiners who forfeit awards on leaving their previous employers, vest in instalments on the anniversaries of the award date specified at the time of grant. This enables the Group to meet regulatory requirements relating to buy-outs, and is in line with market practice. In line with similar plans operated by our competitors, restricted share awards are not subject to an annual limit and do not have any performance measures

Under the 2011 Plan, no grant price is payable to receive an award. The remaining life of the 2011 Plan during which new awards can be made is one year.

### 31. Share-based payments continued

#### Valuation – LTIP awards

The vesting of awards granted in both 2020 and 2019 is subject to relative TSR performance measures and achievement of a strategic scorecard. The vesting of awards granted in 2019 and 2020 are subject to the satisfaction of RoTE (subject to a capital CET1 underpin). The fair value of the TSR component is calculated using the probability of meeting the measures over a three-year performance period, using a Monte Carlo simulation model. The number of shares expected to vest is evaluated at each reporting date, based on the expected performance against the RoTE and strategic measures in the scorecard, to determine the accounting charge.

No dividend equivalents accrue for the LTIP awards made in 2019 or 2020 and the fair value takes this into account, calculated by reference to market consensus dividend yield.

	2020	2019
Grant date	09 March	11 March
Share price at grant date (£)	5.20	6.11
Vesting period (years)	3–7	3–7
Expected dividend yield (%)	4.2	4.2
Fair value (RoTE) (£)	1.40, 1.34	2.02, 2.02
Fair value (TSR) (£)	0.75, 0.72	0.97, 0.91
Fair value (Strategic) (£)	1.40, 1.34	2.02, 2.02

#### Valuation – deferred shares and restricted shares

The fair value for deferred awards which are not granted to material risk-takers is based on 100 per cent of the face value of the shares at the date of grant as the share price will reflect expectations of all future dividends. For awards granted to material risk-takers in 2020, the fair value of awards takes into account the lack of dividend equivalents, calculated by reference to market consensus dividend yield.

#### Deferred share awards

Grant date	2020						
	22 June		30 March		9 March		
Share price at grant date (£)	4.27		4.67		5.20		
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	
	1-3 years	NA	4.27	NA, 4.2	4.67, 4.13	NA, 4.2, 4.2	5.20, 4.79, 4.59
	1-5 years	–	–	4.2	4.04	4.2, 4.2	4.59, 4.50
	3-7 years	–	–	–	–	4.2, 4.2	4.23, 4.06
2019							
Grant date	24 June			11 March			
Share price at grant date (£)	7.03			6.11			
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	
	1-3 years	N/A, 4.2, 4.2	7.03, 6.47, 6.21	N/A, 4.2, 4.2	6.11, 5.62, 5.40		
	1-5 years	–	–	4.2, 4.2	5.29, 5.40		
	3-7 years	–	–	4.2, 4.2	4.77, 4.97		

### 31. Share-based payments continued

#### Other restricted share awards

Grant date	2020							
	26 November		30 September		22 June		9 March	
Share price at grant date (£)	4.71		3.52		4.27		5.20	
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1 year	4.2	4.34, 4.52	4.2	3.38	4.2	4.10	4.2	4.99
2 years	4.2	4.16, 4.34	4.2	3.24	4.2	3.93	4.2	4.79
2-3 years	-	-	-	-	-	-	-	-
3 years	4.2	4.16	4.2	3.11	4.2	3.77	4.2	4.59
4 years	4.2	4.00	4.2	2.98	4.2	3.62	4.2	4.41
5 years	-	-	-	-	4.2	3.48	4.2	4.23

  

Grant date	2019							
	28 November		1 October		24 June		11 March	
Share price at grant date (£)	7.04		6.84		7.03		6.11	
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1 year	4.2	6.75	4.2	6.57	4.2	6.74	4.2	5.86, 5.62, 5.74
2 years	4.2	6.48	4.2	6.30	4.2	6.47	4.2	5.62, 5.40
2-3 years	-	-	-	-	-	-	-	-
3 years	4.2	6.22	4.2	6.05	4.2	6.21	4.2	5.40
4 years	-	-	4.2	5.80	4.2	5.96	4.2	5.18
5 years	-	-	4.2	5.57	4.2	5.72	-	-

#### All Employee Sharesave Plans

##### 2013 Sharesave Plan

Under the 2013 Sharesave Plan, employees may open a savings contract. Within a maturity period of six months after the third anniversary, employees may save up to £250 per month over three years to purchase ordinary shares in the Company at a discount of up to 20 per cent on the share price at the date of invitation (this is known as the 'option exercise price'). There are no performance measures attached to options granted under the 2013 Sharesave Plan and no grant price is payable to receive an option. In some countries in which the Group operates, it is not possible to operate Sharesave plans, typically due to securities law and regulatory restrictions. In these countries, where possible, the Group offers an equivalent cash-based plan to its employees.

The 2013 Sharesave Plan was approved by shareholders in May 2013 and all future Sharesave invitations are made under this plan. The remaining life of the 2013 Sharesave Plan is two years.

##### Valuation – Sharesave:

Options under the Sharesave plans are valued using a binomial option-pricing model. The same fair value is applied to all employees including executive directors. The fair value per option granted and the assumptions used in the calculation are as follows:

##### All Employee Sharesave Plan (Sharesave)

	2020	2019
Grant date	30 September	1 October
Share price at grant date (£)	3.52	6.84
Exercise price (£)	3.14	4.98
Vesting period (years)	3	3
Expected volatility (%)	31.8	25.3
Expected option life (years)	3.33	3.33
Risk-free rate (%)	(0.07)	0.26
Expected dividend yield (%)	4.2	4.2
Fair value (£)	0.69	1.62

The expected volatility is based on historical volatility over the last three years, or three years prior to grant. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. The expected dividend yield is calculated by reference to market consensus dividend yield.

## 31. Share-based payments continued

### Limits

An award shall not be granted under the 2011 Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares allocated in the period of 10 calendar years ending with that calendar year under the 2011 Plan and under any other discretionary share plan operated by Standard Chartered PLC to exceed such number as represents 5 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

An award shall not be granted under the 2011 Plan or 2013 Sharesave Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares allocated in the period of 10 calendar years ending with that calendar year under the 2011 Plan or 2013 Sharesave Plan and under any other employee share plan operated by Standard Chartered PLC to exceed such number as represents 10 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

An award shall not be granted under the 2011 Plan or 2013 Sharesave Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares which may be issued or transferred pursuant to awards then outstanding under the 2011 Plan or 2013 Sharesave Plan as relevant to exceed such number as represents 10 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

The number of Standard Chartered PLC ordinary shares which may be issued pursuant to awards granted under the 2011 Plan in any 12-month period must not exceed such number as represents 1 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time. The number of Standard Chartered PLC ordinary shares which may be issued pursuant to awards granted under the 2013 Sharesave Plan in any 12-month period must not exceed such number as represents 1 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

### Reconciliation of share award movements for the year to 31 December 2020

	2011 Plan <sup>1</sup>				Weighted average Sharesave exercise price (£)
	LTIP	Deferred/ Restricted shares	PSP <sup>1</sup>	Sharesave	
Outstanding at 1 January 2020	20,912,679	28,235,461	-	12,602,842	5.28
Granted <sup>2,3</sup>	3,086,220	23,452,802	-	7,373,729	-
Lapsed	(824,269)	(657,697)	-	(3,228,307)	5.37
Exercised	(256,388)	(11,487,018)	-	(156,560)	5.30
Outstanding at 31 December	22,918,242	39,543,548	-	16,591,704	4.31
Total number of securities available for issue under the plan	22,918,242	39,543,548	-	16,591,704	4.31
Percentage of the issued shares this represents as at 31 December	0.7%	1.3%	-	0.5%	
Exercisable as at 31 December	27,810	2,395,136	-	1,549,597	6.16
Range of exercise prices (£) <sup>3</sup>	-	-	-	3.14 – 6.20	-
Intrinsic value of vested but not exercised options (\$ million)	0.18	15.23	-	0.02	
Weighted average contractual remaining life (years)	6.28	8.36	-	2.47	
Weighted average share price for awards exercised during the period (£)	4.28	4.55	-	6.76	

1 Employees do not contribute towards the cost of these awards

2 22,007,464 (DRSA/RSA) granted on 9 March 2020, 189,991 (DRSA/RSA) granted as notional dividend on 6 March 2020, 3,025,163 (LTIP) granted on 9 March 2020, 56,805 (LTIP) granted as notional dividend on 6 March 2020, 86,319 (DRSA/RSA) granted on 30 March 2020, 214,754 (DRSA/RSA) granted on 22 June 2020, 4,252 (LTIP) granted as notional dividend on 25 August 2020, 503,520 (DRSA/RSA) granted on 30 September 2020, 7,373,729 (Sharesave) granted on 30 September 2020, 450,754 (DRSA/RSA) granted on 26 November 2020

3 For Sharesave granted in 2020 the exercise price is £3.14 per share, which was a 20% discount to the closing share price on 28 August 2020. The closing share price on 28 August 2020 was £3.924

### 31. Share-based payments continued

#### Reconciliation of share award movements for the year to 31 December 2019

	2019 Plan <sup>1</sup>				Weighted average Sharesave exercise price (£)
	LTIP	Deferred/ Restricted shares	PSP <sup>1</sup>	Sharesave	
Outstanding at 1 January 2019	27,003,333	26,612,980	4,270	13,724,361	5.48
Granted <sup>2,3</sup>	2,777,179	15,140,609	–	5,025,310	–
Lapsed	(2,824,549)	(1,441,046)	–	(1,821,467)	5.50
Exercised	(6,043,284)	(12,077,082)	(4,270)	(4,325,362)	5.49
Outstanding at 31 December	20,912,679	28,235,461	–	12,602,842	5.28
Total number of securities available for issue under the plan	20,912,679	28,235,461	–	12,602,842	
Percentage of the issued shares this represents as at 31 December	0.7%	0.9%	–	0.4%	
Exercisable as at 31 December	53,986	2,539,752	–	1,231,333	5.30
Range of exercise prices (£) <sup>3</sup>	–	–	–	4.98 – 6.20	
Intrinsic value of vested but not exercised options (\$ million)	0.51	24.13	–	3.06	
Weighted average contractual remaining life (years)	6.85	8.25	–	2.44	
Weighted average share price for awards exercised during the period (£)	6.37	6.33	6.95	6.72	

1. Employees do not contribute towards the cost of these awards

2. 14,346,920 (DRSA/RSA) granted on 11 March 2019, 186,955 (DRSA/RSA) granted as notional dividend on 8 March 2019, 2,530,325 (LTIP) granted on 11 March 2019, 232,895 (LTIP) granted as notional dividend on 8 March 2019, 278,813 (DRSA/RSA) granted on 24 June 2019, 74,125 (DRSA/RSA) granted as notional dividend on 9 August 2019, 13,959 (LTIP) granted as notional dividend on 9 August 2019, 151,751 (RSA) granted on 1 October 2019, 5,025,310 (Sharesave) granted on 1 October 2019 and 102,045 (RSA) granted on 28 November 2019

3. For Sharesave granted in 2019 the exercise price is £4.98 per share, which was a 20% discount to the closing share price on 30 August 2019. The closing share price on 30 August 2019 was £6.22

### 32. Investments in subsidiary undertakings, joint ventures and associates

#### Accounting policy

##### Subsidiaries

Subsidiaries are all entities, including structured entities, which the Group controls. The Group controls an entity when it is exposed to, and has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The assessment of power is based on the Group's practical ability to direct the relevant activities of the entity unilaterally for the Group's own benefit and is subject to reassessment if and when one or more of the elements of control change. Subsidiaries are fully consolidated from the date on which the Group effectively obtains control. They are deconsolidated from the date that control ceases, and where any interest in the subsidiary remains, this is remeasured to its fair value and the change in carrying amount is recognised in the income statement.

##### Associates and joint arrangements

Joint arrangements are where two or more parties either have rights to the assets, and obligations of the joint arrangement (joint operations), or have rights to the net assets of the joint arrangement (joint venture). The Group evaluates the contractual terms of joint arrangements to determine whether a joint arrangement is a joint operation or a joint venture. The Group did not have any contractual interest in joint operations.

##### An associate is an entity over which the Group has significant influence.

Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition (net of any accumulated impairment loss).

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. At each balance sheet date, the Group assesses whether there is any objective evidence of impairment in the investment in associates and joint ventures. Such evidence includes a significant or prolonged decline in the fair value of the Group's investment in an associate or joint venture below its cost, among other factors.

## 32. Investments in subsidiary undertakings, joint ventures and associates continued

### Significant accounting estimates and judgements

The Group applies judgement in determining if it has control, joint control or significant influence over subsidiaries, joint ventures and associates respectively. These judgements are based upon identifying the relevant activities of counterparties, being those activities that significantly affect the entities' returns, and further making a decision of if the Group has control over those entities, joint control, or has significant influence (being the power to participate in the financial and operating policy decisions but not control them).

These judgements are at times determined by equity holdings, and the voting rights associated with those holdings. However, further considerations including but not limited to board seats, advisory committee members and specialist knowledge of some decision-makers are also taken into account. Further judgement is required when determining if the Group has de-facto control over an entity even though it may hold less than 50 per cent of the voting shares of that entity. Judgement is required to determine the relative size of the Group's shareholding when compared to the size and dispersion of other shareholders.

Impairment testing of investments in associates and joint ventures is performed if there is a possible indicator of impairment. Judgement is used to determine if there is objective evidence of impairment. Objective evidence may be observable data such as losses incurred on the investment when applying the equity method, the granting of concessions as a result of financial difficulty, or breaches of contracts/regulatory fines of the associate or joint venture. Further judgement is required when considering broader indicators of impairment such as losses of active markets or ratings downgrades across key markets in which the associate or joint venture operate.

Impairment testing is based on estimates including forecasting the expected cash flows from the investments, growth rates, terminal values and the discount rate used in calculation of the present values of those cash flows. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement.

### Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, together with the fair value of any contingent consideration payable. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill (see Note 17 for details on goodwill recognised by the Group). If the cost of acquisition is less than the fair value of the net assets and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the income statement.

Where the fair values of the identifiable net assets and contingent liabilities acquired have been determined provisionally, or where contingent or deferred consideration is payable, adjustments arising from their subsequent finalisation are not reflected in the income statement if: (i) they arise within 12 months of the acquisition date (or relate to acquisitions completed before 1 January 2014); and (ii) the adjustments arise from better information about conditions existing at the acquisition date (measurement period adjustments). Such adjustments are applied as at the date of acquisition and, if applicable, prior year amounts are restated. All changes that are not measurement period adjustments are reported in income other than changes in contingent consideration not classified as financial instruments, which are accounted for in accordance with the appropriate accounting policy, and changes in contingent consideration classified as equity, which is not remeasured.

Changes in ownership interest in a subsidiary, which do not result in a loss of control, are treated as transactions between equity holders and are reported in equity. Where a business combination is achieved in stages, the previously held equity interest is remeasured at the acquisition date fair value with the resulting gain or loss recognised in the income statement.

In the Company's financial statements, investment in subsidiaries, associates and joint ventures are held at cost less impairment and dividends from pre-acquisition profits received prior to 1 January 2009, if any. Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in the Group accounts.

Investments in subsidiary undertakings	2020 \$million	2019 \$million
As at 1 January	58,037	34,853
Additions <sup>1</sup>	1,370	23,184
Disposal <sup>2</sup>	(2,000)	–
As at 31 December	57,407	58,037

1 Includes internal Additional Tier 1 issuances of \$1 billion by Standard Chartered Bank (Hong Kong) Limited. (31 December 2019: Includes internal Additional Tier 1 issuances of \$900 million by Standard Chartered Bank (Hong Kong) Limited and \$500 million and SGD750 million by Standard Chartered Bank (Singapore) Limited)

2 Redemption of Additional Tier 1 capital of \$2 billion by Standard Chartered Bank

### 32. Investments in subsidiary undertakings, joint ventures and associates continued

At 31 December 2020, the principal subsidiary undertakings, all indirectly held except for Standard Chartered Bank (Hong Kong) Limited, and principally engaged in the business of banking and provision of other financial services, were as follows:

Country and place of incorporation or registration	Main areas of operation	Group interest in ordinary share capital %
Standard Chartered Bank, England and Wales	United Kingdom, Middle East, South Asia, Asia Pacific, Americas and, through Group companies, Africa	100
Standard Chartered Bank (China) Limited, China <sup>1</sup>	China	100
Standard Chartered Bank (Hong Kong) Limited, Hong Kong	Hong Kong	100
Standard Chartered Bank Korea Limited, Korea	Korea	100
Standard Chartered Bank Malaysia Berhad, Malaysia	Malaysia	100
Standard Chartered Bank Nigeria Limited, Nigeria	Nigeria	100
Standard Chartered Bank (Singapore) Limited, Singapore	Singapore	100
Standard Chartered Bank (Taiwan) Limited, Taiwan	Taiwan	100
Standard Chartered Bank (Pakistan) Limited, Pakistan	Pakistan	98.99
Standard Chartered Bank (Thai) Public Company Limited, Thailand	Thailand	99.87
Standard Chartered Bank Kenya Limited, Kenya	Kenya	74.32

<sup>1</sup> Under PRC law, registered as 'Standard Chartered Bank (China) Limited, China'

A complete list of subsidiary undertaking is included in Note 40.

The Group does not have any material non-controlling interests in any of its subsidiaries except the 25.68 per cent non-controlling interest in Standard Chartered Bank Kenya Limited. This contributes \$13 million (31 December 2019: \$20 million) of the profit attributable to non-controlling interests and \$111 million (31 December 2019: \$111 million) of the equity attributable to non-controlling interests.

While the Group's subsidiaries are subject to local statutory capital and liquidity requirements in relation to foreign exchange remittance, these restrictions arise in the normal course of business and do not significantly restrict the Group's ability to access or use assets and settle liabilities of the Group.

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory framework within which the banking subsidiaries operate. These frameworks require banking operations to keep certain levels of regulatory capital, liquid assets, exposure limits and comply with other required ratios. These restrictions are summarised below:

#### Regulatory and liquidity requirements

The Group's subsidiaries are required to maintain minimum capital, leverage ratios, liquidity and exposure ratios which therefore restrict the ability of these subsidiaries to distribute cash or other assets to the parent company.

The subsidiaries are also required to maintain balances with central banks and other regulatory authorities in the countries in which they operate. At 31 December 2020, the total cash and balances with central banks was \$67 billion (31 December 2019: \$53 billion) of which \$7 billion (31 December 2019: \$10 billion) is restricted.

#### Statutory requirements

The Group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits to the parent company, generally to maintain solvency. These requirements restrict the ability of subsidiaries to remit dividends to the Group. Certain subsidiaries are also subject to local exchange control regulations which provide for restrictions on exporting capital from the country other than through normal dividends.

## 32. Investments in subsidiary undertakings, joint ventures and associates continued

### Contractual requirements

The encumbered assets in the balance sheet of the Group's subsidiaries are not available for transfer around the Group. Encumbered assets are disclosed in Risk review and Capital review (page 240).

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

	2020 \$million	2019 \$million
(Loss)/profit from investment in joint ventures	(3)	48
Profit from investment in associates	154	252
Total	151	300
<b>Interests in associates and joint ventures</b>	<b>2020 \$million</b>	<b>2019 \$million</b>
As at 1 January	1,908	2,307
Exchange translation difference	123	15
Additions	52	64
Share of profits	151	300
Dividend received	-	(3)
Disposals	(35)	-
Share of FVOCI and Other reserves	(37)	25
Transfer to held for sale assets <sup>1</sup>	-	(800)
As at 31 December	2,162	1,908

1 Refer to Note 21 Assets held for sale and associated liabilities where our joint venture PT Bank Permata Tbk (Permata) is disclosed

A complete list of the Group's interest in associates is included in Note 40. The Group's principal associate is:

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

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

The Group's ownership percentage decreased to 16.26 per cent from 19.99 per cent as a result of the IPO which was completed on the 16 July 2020 in which the Group did not participate. A \$35 million loss was recognised on the dilution of the Group's ownership percentage as the IPO price was based on the net asset value of Bohai at 31 December 2019.

The Group has recognised 19.99 per cent of Bohai's earnings through the date of the IPO after which it has recognised 16.26 per cent of Bohai's earnings. Bohai has a statutory year end of 31 December, but Bohai publishes their results after the Group. For the year ended 31 December 2019, the Group was on a one-month lag in recognising its share of Bohai's earnings. For the year ended 31 December 2020, the Group recognised Bohai's results through 30 September 2020 (10 months of earnings, including December 2019). The Group will continue on a three-month lag in recognising its share of Bohai's earnings going forward.

### Impairment testing

At 31 December 2020, the listed equity value of Bohai is below the carrying amount of the investment in associate. As a result, the Group has performed an impairment test on the carrying amount, which confirmed that there was no impairment at 31 December 2020 as the recoverable amount as determined by a value-in-use ('VIU') calculation was higher than the carrying value.

	ViU \$million	Carrying amount \$million	Fair value \$million
Bohai	2,943	2,025	1,888



## 32. Investments in subsidiary undertakings, joint ventures and associates continued

### Basis of recoverable amount

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

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

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

The key assumptions used in the VIU calculation:

	%
Discount rate	10.00
Long term growth rate	5.00
Capital requirement adequacy ratio	7.50

Carrying amount \$million	Base case				Sensitivities 2020					
	VIU \$million	Headroom \$million	Discount Rate	GDP	GDP		Discount rates		Cash flows	
					+1%	-1%	+1%	-1%	+10%	-10%
					Headroom \$million	Headroom \$million	Headroom \$million	Headroom \$million	Headroom \$million	Headroom \$million
<b>2,025</b>	<b>2,943</b>	<b>918</b>	<b>10%</b>	<b>5%</b>	<b>1,460</b>	<b>557</b>	<b>480</b>	<b>1,573</b>	<b>1,353</b>	<b>483</b>

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

	30 Sep 2020 \$million	30 Nov 2019 \$million
Total assets	202,537	156,429
Total liabilities	187,024	147,407
Other equity instruments	3,053	2,865
Operating income	3,474	3,769
Net profit	950	1,163
Other comprehensive income	(121)	(63)

### 33. Structured entities

#### Accounting policy

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Contractual arrangements determine the rights and therefore relevant activities of the structured entity. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their activities. Structured entities are consolidated when the substance of the relationship between the Group and the structured entity indicates the Group has power over the contractual relevant activities of the structured entity, is exposed to variable returns, and can use that power to affect the variable return exposure.

In determining whether to consolidate a structured entity to which assets have been transferred, the Group takes into account its ability to direct the relevant activities of the structured entity. These relevant activities are generally evidenced through a unilateral right to liquidate the structured entity, investment in a substantial proportion of the securities issued by the structured entity or where the Group holds specific subordinate securities that embody certain controlling rights. The Group may further consider relevant activities embedded within contractual arrangements such as call options which give the practical ability to direct the entity, special relationships between the structured entity and investors, and if a single investor has a large exposure to variable returns of the structured entity.

Judgement is required in determining control over structured entities. The purpose and design of the entity is considered, along with a determination of what the relevant activities are of the entity and who directs these. Further judgements are made around which investor is exposed to, and absorbs the variable returns of the structured entity. The Group will have to weigh up all of these facts to consider whether the Group, or another involved party is acting as a principal in its own right or as an agent on behalf of others. Judgement is further required in the ongoing assessment of control over structured entities, specifically if market conditions have an effect on the variable return exposure of different investors.

The Group has involvement with both consolidated and unconsolidated structured entities, which may be established by the Group as a sponsor or by a third-party.

**Interests in consolidated structured entities:** A structured entity is consolidated into the Group's financial statements where the Group controls the structured entity, as per the determination in the accounting policy above.

The following table presents the Group's interests in consolidated structured entities.

	2020 \$million	2019 \$million
Aircraft and ship leasing	4,388	4,312
Principal and other structured finance	365	816
<b>Total</b>	<b>4,753</b>	<b>5,128</b>

#### Interests in unconsolidated structured entities:

Unconsolidated structured entities are all structured entities that are not controlled by the Group. The Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities. An interest in a structured entity is contractual or non-contractual involvement which creates variability of the returns of the Group arising from the performance of the structured entity.

The table below presents the carrying amount of the assets recognised in the financial statements relating to variable interests held in unconsolidated structured entities, the maximum exposure to loss relating to those interests and the total assets of the structured entities. Maximum exposure to loss is primarily limited to the carrying amount of the Group's on-balance sheet exposure to the structured entity. For derivatives, the maximum exposure to loss represents the on-balance sheet valuation and not the notional amount. For commitments and guarantees, the maximum exposure to loss is the notional amount of potential future losses.

	2020					2019				
	Asset-backed securities \$million	Structured finance \$million	Principal Finance funds \$million	Other activities \$million	Total \$million	Asset-backed securities \$million	Structured finance \$million	Principal Finance funds \$million	Other activities \$million	Total \$million
<b>Group's interest – assets</b>										
Financial assets held at fair value through profit or loss	1,002	–	197	271	1,470	1,055	–	105	181	1,341
Loans and advances/Investment securities at amortised cost	8,270	3,081	267	–	11,618	4,939	2,020	343	251	7,553
Investment securities (fair value through other comprehensive income)	2,912	–	–	–	2,912	3,158	–	–	–	3,158
Other assets	–	–	34	–	34	–	–	289	–	289
Total assets	12,184	3,081	498	271	16,034	9,152	2,020	737	432	12,341
Off-balance sheet	69	914	67	–	1,050	65	572	109	–	746
Group's maximum exposure to loss	12,253	3,995	565	271	17,084	9,217	2,592	846	432	13,087
Total assets of structured entities	198,622	10,410	2,424	276	211,732	153,948	6,594	3,028	7,976	171,546

### 33. Structured entities continued

The main types of activities for which the Group utilises unconsolidated structured entities cover synthetic credit default swaps for managed investment funds (including specialised Principal Finance funds), portfolio management purposes, structured finance and asset-backed securities. These are detailed as follows:

- **Asset-backed securities (ABS):** The Group also has investments in asset-backed securities issued by third-party sponsored and managed structured entities. For the purpose of market making and at the discretion of ABS trading desk, the Group may hold an immaterial amount of debt securities from structured entities originated by credit portfolio management. This is disclosed in the ABS column above

Portfolio management (Group sponsored entities): For the purposes of portfolio management, the Group purchased credit protection via synthetic credit default swaps from note-issuing structured entities. This credit protection creates credit risk which the structured entity and subsequently the end investor absorbs. The referenced assets remain on the Group's balance sheet as they are not assigned to these structured entities. The Group continues to own or hold all of the risks and returns relating to these assets. The credit protection obtained from the regulatory-compliant securitisation only serves to protect the Group against losses upon the occurrence of eligible credit events and the underlying assets are not derecognised from the Group's balance sheet. The Group does not hold any equity interests in the structured entities, but may hold an insignificant amount of the issued notes for market making purposes. This is disclosed in the ABS section above. The proceeds of the notes' issuance are typically held as cash collateral in the issuer's account operated by a trustee or invested in AAA-rated government-backed securities to collateralise the structured entities swap obligations to the Group, and to repay the principal to investors at maturity. The structured entities reimburse the Group on actual losses incurred, through the use of the cash collateral or realisation of the collateral security. Correspondingly, the structured entities write down the notes issued by an equal amount of the losses incurred, in reverse order of seniority. All funding is committed for the life of these vehicles and the Group has no indirect exposure in respect of the vehicles' liquidity position. The Group has reputational risk in respect of certain portfolio management vehicles and investment funds either because the Group is the arranger and lead manager or because the structured entities have Standard Chartered branding.

- **Structured finance:** Structured finance comprises interests in transactions that the Group or, more usually, a customer has structured, using one or more structured entities, which provide beneficial arrangements for customers. The Group's exposure primarily represents the provision of funding to these structures as a financial intermediary, for which it receives a lender's return. The transactions largely relate to real estate financing and the provision of aircraft leasing and ship finance.
- **Principal Finance Fund:** The Group's exposure to Principal Finance Funds represents committed or invested capital in unleveraged investment funds, primarily investing in pan-Asian infrastructure, real estate and private equity.
- **Other activities:** Other activities include structured entities created to support margin financing transactions, the refinancing of existing credit and debt facilities, as well as setting up of bankruptcy remote structured entities.

### 34. Cash flow statement

#### Adjustment for non-cash items and other adjustments included within income statement

	Group		Company	
	2020 \$million	2019 \$million	2020 \$million	2019 \$million
Amortisation of discounts and premiums of investment securities	(588)	(818)	-	-
Interest expense on subordinated liabilities	637	756	606	688
Interest expense on senior debt securities in issue	639	677	559	606
Other non-cash items	686	792	(36)	(75)
Pension costs for defined benefit schemes	81	73	-	-
Share-based payment costs	132	166	-	-
Impairment losses on loans and advances and other credit risk provisions	2,325	908	-	-
Dividend income from subsidiaries	-	-	(1,110)	(17,979)
Other impairment	587	163	-	-
Net gain on derecognition of investment in associate	(6)	-	-	-
Profit from associates and joint ventures	(151)	(300)	-	-
<b>Total</b>	<b>4,342</b>	<b>2,417</b>	<b>19</b>	<b>(16,760)</b>

### 34. Cash flow statement continued

#### Change in operating assets

	Group		Company	
	2020 \$million	2019 \$million	2020 \$million	2019 \$million
Increase in derivative financial instruments	(21,640)	(1,603)	(742)	(220)
Increase in debt securities, treasury bills and equity shares held at fair value through profit or loss	(5,385)	(5,579)	(8,281)	(4,502)
Increase in loans and advances to banks and customers	(5,361)	(19,108)	-	-
Net decrease/(increase) in prepayments and accrued income	588	(199)	-	-
Net (increase)/decrease in other assets	(6,266)	(8,944) <sup>1</sup>	572	(751)
<b>Total</b>	<b>(38,064)</b>	<b>(35,433)</b>	<b>(8,451)</b>	<b>(5,473)</b>

1 Aircraft and shipping purchases and disposals re-presented as cash flows from investing activities. This was previously presented under operating activities

#### Change in operating liabilities

	Group		Company	
	2020 \$million	2019 \$million	2020 \$million	2019 \$million
Increase/(decrease) in derivative financial instruments	22,399	1,290	(378)	(390)
Net increase in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	28,087	27,850	6,630	1,131
(Decrease)/increase in accruals and deferred income	(845)	(15)	67	(18)
Net increase/(decrease) in other liabilities	4,796	810	96	(4,905)
<b>Total</b>	<b>54,437</b>	<b>29,935</b>	<b>6,415</b>	<b>(4,182)</b>

#### Changes in liabilities arising from financing activities

	Group		Company	
	2020 \$million	2019 \$million	2020 \$million	2019 \$million
<b>Subordinated debt (including accrued interest):</b>				
Opening balance	16,445	15,227	14,737	13,648
Proceeds from the issue	2,473	1,000	2,473	1,000
Interest paid	(601)	(603)	(537)	(547)
Repayment	(2,446)	(23)	(1,402)	-
Foreign exchange movements	170	(2)	166	(14)
Fair value changes	255	227	243	147
Other	596	619	552	503
<b>Closing balance</b>	<b>16,892</b>	<b>16,445</b>	<b>16,232</b>	<b>14,737</b>
<b>Senior debt (including accrued interest):</b>				
Opening balance	23,889	21,998	19,849	17,361
Proceeds from the issue	9,953	9,169	2,193	6,012
Interest paid	(627)	(797)	(575)	(740)
Repayment	(4,305)	(7,692)	(2,106)	(3,780)
Foreign exchange movements	622	(1)	468	(1)
Fair value changes	574	360	426	283
Other	(117)	852	634	714
<b>Closing balance</b>	<b>29,989</b>	<b>23,889</b>	<b>20,889</b>	<b>19,849</b>

### 35. Cash and cash equivalents

#### Accounting policy

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, on demand and overnight balances with central banks (unless restricted) and balances with less than three months' maturity from the date of acquisition, including treasury bills and other eligible bills, loans and advances to banks, and short-term government securities.

The following balances with less than three months' maturity from the date of acquisition have been identified by the Group as being cash and cash equivalents.

	Group		Company	
	2020 \$million	2019 \$million	2020 \$million	2019 \$million
Cash and balances at central banks	66,712	52,728	-	-
Less: restricted balances	(7,341)	(9,843)	-	-
Treasury bills and other eligible bills	10,500	10,078	-	-
Loans and advances to banks	25,762	21,556	-	-
Trading securities	2,241	2,935	-	-
Amounts owed by and due to Subsidiary undertakings	-	-	12,283	11,622
<b>Total</b>	<b>97,874</b>	<b>77,454</b>	<b>12,283</b>	<b>11,622</b>

### 36. Related party transactions

#### Directors and officers

Details of directors' remuneration and interests in shares are disclosed in the Directors' remuneration report.

IAS 24 Related party disclosures requires the following additional information for key management compensation. Key management comprises non-executive directors, executive directors of Standard Chartered PLC, the Court directors of Standard Chartered Bank and the persons discharging managerial responsibilities (PDMR) of Standard Chartered PLC.

	2020 \$million	2019 \$million
Salaries, allowances and benefits in kind	35	37
Share-based payments	26	28
Bonuses paid or receivable	1	4
<b>Total</b>	<b>62</b>	<b>69</b>

#### Transactions with directors and others

At 31 December 2020, the total amounts to be disclosed under the Companies Act 2006 (the Act) and the Listing Rules of the Hong Kong Stock Exchange Limited (Hong Kong Listing Rules) about loans to directors were as follows:

	2020		2019	
	Number	\$million	Number	\$million
Directors <sup>1</sup>	3	-	3	-

<sup>1</sup> Outstanding loan balances were below \$50,000

The loan transactions provided to the directors of Standard Chartered PLC were a connected transaction under Chapter 14A of the Hong Kong Listing Rules. It was fully exempt as financial assistance under Rule 14A.87(1), as it was provided in our ordinary and usual course of business and on normal commercial terms.

As at 31 December 2020, Standard Chartered Bank had created a charge over \$89 million (31 December 2019: \$86 million) of cash assets in favour of the non-consolidated independent trustee of its employer financed retirement benefit scheme.

## 36. Related party transactions continued

### Company

The Company has received \$904 million (31 December 2019: \$1006 million) of net interest income from its subsidiaries. The Company issues debt externally and lends proceeds to Group companies.

The Company has an agreement with Standard Chartered Bank that in the event of Standard Chartered Bank defaulting on its debt coupon interest payments, where the terms of such debt requires it, the Company shall issue shares as settlement for non-payment of the coupon interest.

	2020			2019		
	Standard Chartered Bank \$million	Standard Chartered Bank (Hong Kong) Limited \$million	Others <sup>1</sup> \$million	Standard Chartered Bank \$million	Standard Chartered Bank (Hong Kong) Limited \$million	Others <sup>1</sup> \$million
<b>Assets</b>						
Due from subsidiaries	11,706	45	356	11,068	32	346
Derivative financial instruments	846	126	-	212	17	-
Debt securities	18,092	4,686	1,151	13,665	3,953	548
<b>Total assets</b>	<b>30,644</b>	<b>4,857</b>	<b>1,507</b>	<b>24,945</b>	<b>4,002</b>	<b>894</b>
<b>Liabilities</b>						
Due to subsidiaries	212	-	-	26	-	-
Derivative financial instruments	347	-	13	738	-	-
<b>Total liabilities</b>	<b>559</b>	<b>-</b>	<b>13</b>	<b>764</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Others include Standard Chartered Bank (Singapore) Limited, Standard Chartered Holdings Limited and Standard Chartered IH Limited

### Associate and joint ventures

The following transactions with related parties are on an arm's length basis:

	2020 \$million	2019 \$million
<b>Assets</b>		
Loans and advances	5	2
Debt securities	-	79
<b>Total assets</b>	<b>5</b>	<b>81</b>
<b>Liabilities</b>		
Deposits	1,061	225
Derivative liabilities	5	-
<b>Total liabilities</b>	<b>1,066</b>	<b>225</b>
Loan commitments and other guarantees <sup>1</sup>	55	53

<sup>1</sup> The maximum loan commitments and other guarantees during the year was \$55 million

On 26 March 2020, the Group entered into an investment agreement and shareholders' agreement with Clifford Capital Holdings Pte. Ltd (a related party of the Group), the special purpose vehicles wholly owned by Temasek (namely, Kovan Investments Pte. Ltd. and Aranda Investments Pte. Ltd.), DBS Bank Ltd., Sumitomo Mitsui Banking Corporation, Prudential Assurance Company Singapore (Pte) Limited, and John Hancock Life Insurance Company (U.S.A.), with Asian Development Bank subsequently joining as a party. This transaction is considered to be a related party transaction under IAS 24. This transaction also constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules and has complied with the requirements of that Chapter. Further details of the transaction are set out on page 170.

Other than as disclosed in the Annual Report, there were no other transactions, arrangements or agreements outstanding for any director, connected person or officer of the Company which have to be disclosed under the Act, the rules of the UK Listing Authority or the Hong Kong Listing Rules.

## 37. Post balance sheet events

On 14 January 2021, Standard Chartered PLC issued \$1,250 million fixed rate Additional Tier 1 (AT1) securities. On 14 January 2021, Standard Chartered PLC also issued \$1,500 million 0.991 per cent senior debt due 2025 and \$1,500 million 1.456 per cent senior debt due 2027.

Following the publication of recent PRA guidance, the Board has recommended a final ordinary dividend for 2020 of 9 cents a share or \$284 million. The Board has also decided to carry out a share buy-back for up to a maximum consideration of \$254 million to further reduce the number of ordinary shares in issue by cancelling the repurchased shares.

Nine vessels within the ship leasing business, disclosed as held for sale at year end, were sold in January 2021.

### 38. Auditor's remuneration

Auditor's remuneration is included within other general administration expenses. The amounts paid by the Group to their principal auditor, Ernst & Young LLP and its associates (together Ernst & Young LLP), are set out below. All services are approved by the Group Audit Committee and are subject to controls to ensure the external auditor's independence is unaffected by the provision of other services.

	2020 \$million	2019 \$million
Audit fees for the Group statutory audit	11.0	10.0
Fees payable to EY/KPMG for other services provided to the Group:		
Audit of Standard Chartered PLC subsidiaries	9.9	8.4
Total audit fees	20.9	18.4
Audit-related assurance services	5.1	7.6
Other assurance services	2.1	0.1
Other non-audit services	0.1	-
Corporate finance transaction services	0.4	0.6
<b>Total fees payable</b>	<b>28.6</b>	<b>26.7</b>

The following is a description of the type of services included within the categories listed above:

- Audit fees for the Group statutory audit are in respect of fees payable to Ernst & Young LLP for the statutory audit of the consolidated financial statements of the Group and the separate financial statements of Standard Chartered PLC
- Audit-related fees consist of fees such as those for services required by law or regulation to be provided by the auditor, reviews of interim financial information, reporting on regulatory returns, reporting to a regulator on client assets and extended work performed over financial information and controls authorised by those charged with governance
- Other assurance services include agreed-upon-procedures in relation to statutory and regulatory filings
- Corporate finance transaction services are fees payable to Ernst & Young LLP for issuing comfort letters

Expenses for costs incurred and disbursements made in respect of their role as auditor, were reimbursed to EY. Such expenses since their appointment on 31 March 2020, did not exceed 1% of total fees charged above.

### 39. Standard Chartered PLC (Company)

#### Group reorganisation

The Board of the Group approved in 2018 an in principle group reorganisation which would result in Standard Chartered Bank (SCB) transferring its ordinary shares in Standard Chartered Bank (Hong Kong) Limited (SCB HK), Standard Chartered Bank (China) Limited (SCB China), Standard Chartered NEA Limited (SC NEA) and Standard Chartered Bank (Taiwan) Limited (SCB TW) to other entities within the Standard Chartered PLC Group.

On 4 March 2019, SCB transferred via a dividend in specie its ordinary shares in SCB HK to Standard Chartered Holdings Limited (SCH). SCH in turn transferred via a dividend in specie 100% of the ordinary shares of SCB HK to Standard Chartered PLC (SC PLC), the Group's ultimate parent.

On 1 June 2019, the Company transferred its shareholding in SCB China to SCB HK in exchange for ordinary shares in SCB HK. On 3 June 2019, the Company transferred via dividend in specie such SCB HK shares to SCH and in turn, SCH transferred via dividend in specie such SCB HK shares to SC PLC.

On 1 October 2019, the Company transferred its ordinary shares in SC NEA, the holding company of Standard Chartered Bank Korea Limited, to SCB HK, and on the same day, its ordinary shares in SCB TW to SC NEA.

All of the transfers were done on a fair value basis in the Standard Chartered PLC (Company) accounts. The result of these transfers was an increase in Investment in Subsidiaries and corresponding dividend income of \$20,989 million. This resulted in an increase to retained earnings but no change to distributable reserves.

### 39. Standard Chartered PLC (Company) continued

#### Classification and measurement of financial instruments

	2020				2019			
	Derivatives held for hedging \$million	Amortised cost \$million	Non-trading mandatorily at fair value through profit or loss \$million	Total \$million	Derivatives held for hedging \$million	Amortised cost \$million	Non-trading mandatorily at fair value through profit or loss \$million	Total \$million
<b>Financial assets</b>								
Derivatives	971	-	-	971	229	-	-	229
Investment securities	-	11,146	12,783	23,929	-	13,665	4,502 <sup>1</sup>	18,167
Amounts owed by subsidiary undertakings	-	12,283	-	12,283	-	11,622	-	11,622
<b>Total</b>	<b>971</b>	<b>23,429</b>	<b>12,783</b>	<b>37,183</b>	<b>229</b>	<b>25,287</b>	<b>4,502</b>	<b>30,018</b>

<sup>1</sup> Standard Chartered Bank, Standard Chartered Bank (Hong Kong) Limited and Standard Chartered Bank (Singapore) Limited issued Loss Absorbing Capacity (LAC) eligible debt securities

Instruments classified as amortised cost are recorded in Stage 1.

Derivatives held for hedging are held at fair value and are classified as Level 2 while the counterparty is Standard Chartered Bank and Standard Chartered Bank (Hong Kong) Limited.

Debt securities comprise corporate securities issued by Standard Chartered Bank and have a fair value equal to carrying value of \$11,146 million (31 December 2019: \$13,665 million).

In 2020 and 2019, amounts owed by Subsidiary undertakings have a fair value equal to carrying value.

	2020				2019			
	Derivatives held for hedging \$million	Amortised cost \$million	Designated at fair value through profit or loss \$million	Total \$million	Derivatives held for hedging \$million	Amortised cost \$million	Designated at fair value through profit or loss \$million	Total \$million
<b>Financial liabilities</b>								
Derivatives	360	-	-	360	738	-	-	738
Debt securities in issue	-	20,701	5,266	25,967	-	19,713	112	19,825
Subordinated liabilities and other borrowed funds	-	14,783	1,286	16,069	-	14,588	-	14,588
Amounts owed to subsidiary undertakings	-	212	-	212	-	26	-	26
<b>Total</b>	<b>360</b>	<b>35,696</b>	<b>6,552</b>	<b>42,608</b>	<b>738</b>	<b>34,327</b>	<b>112</b>	<b>35,177</b>

Derivatives held for hedging are held at fair value and are classified as Level 2 while the counterparty is Standard Chartered Bank.

The fair value of debt securities in issue is \$21,231 million (31 December 2019: \$20,030 million) and have fair value equal to carrying value.

The fair value of subordinated liabilities and other borrowed funds is \$15,792 million (31 December 2019: \$15,238 million).

#### Derivative financial instruments

	2020			2019		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
<b>Derivatives</b>						
<b>Foreign exchange derivative contracts:</b>						
Forward foreign exchange	3,300	126	125	-	17	-
Currency swaps	3,895	17	186	5,114	-	642
Other foreign exchange (OTC)	-	-	-	1,564	34	-
<b>Interest rate derivative contracts:</b>						
Swaps	14,677	777	-	13,201	178	96
Forward rate agreements and options	394	51	49	-	-	-
<b>Total</b>	<b>22,266</b>	<b>971</b>	<b>360</b>	<b>19,879</b>	<b>229</b>	<b>738</b>



### 39. Standard Chartered PLC (Company) continued

#### Credit risk

##### Maximum exposure to credit risk

	2020 \$million	2019 \$million
Derivative financial instruments	971	229
Debt securities	23,929	18,167
Amounts owed by subsidiary undertakings	12,283	11,622
<b>Total</b>	<b>37,183</b>	<b>30,018</b>

In 2020 and 2019, amounts owed by Subsidiary undertakings were neither past due nor impaired; the Company had no individually impaired loans.

In 2020 and 2019, the Company had no impaired debt securities. The debt securities held by the Company are issued by Standard Chartered Bank (Hong Kong) Limited and by Standard Chartered Bank (Singapore) Limited, subsidiary undertaking with credit ratings of A+/A/A1.

There is no material expected credit loss on these instruments as they are Stage 1 assets, short term in nature and of a high quality.

#### Liquidity risk

The following table analyses the residual contractual maturity of the assets and liabilities of the Company on a discounted basis:

	2020								Total \$million
	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	
<b>Assets</b>									
Derivative financial instruments	136	-	-	-	21	3	326	485	971
Investment securities	-	-	-	-	-	4,247	4,770	14,912	23,929
Amount owed by subsidiary undertakings	574	600	1,355	975	-	2,370	3,300	3,109	12,283
Investments in Subsidiary undertakings	-	-	-	-	-	-	-	57,407	57,407
Other assets	-	-	-	-	-	-	-	9	9
<b>Total assets</b>	<b>710</b>	<b>600</b>	<b>1,355</b>	<b>975</b>	<b>21</b>	<b>6,620</b>	<b>8,396</b>	<b>75,922</b>	<b>94,599</b>
<b>Liabilities</b>									
Derivative financial instruments	138	-	114	-	-	10	50	48	360
Senior debt	1,000	-	1,230	436	-	2,760	9,950	10,591	25,967
Amount owed to subsidiary undertakings	-	-	-	-	-	-	-	212	212
Other liabilities	179	126	92	12	10	-	-	46	465
Subordinated liabilities and other borrowed funds	-	-	-	-	-	1,956	3,710	10,403	16,069
<b>Total liabilities</b>	<b>1,317</b>	<b>126</b>	<b>1,436</b>	<b>448</b>	<b>10</b>	<b>4,726</b>	<b>13,710</b>	<b>21,300</b>	<b>43,073</b>
<b>Net liquidity gap</b>	<b>(607)</b>	<b>474</b>	<b>(81)</b>	<b>527</b>	<b>11</b>	<b>1,894</b>	<b>(5,314)</b>	<b>54,622</b>	<b>51,526</b>

## 39. Standard Chartered PLC (Company) continued

### Liquidity risk continued

	2019								Total \$million
	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	
<b>Assets</b>									
Derivative financial instruments	34	–	1	–	–	8	52	134	229
Investment securities	–	–	–	–	–	–	7,024	11,143	18,167
Amount owed by subsidiary undertakings	–	5	2,104	–	–	1,025	5,249	3,239	11,622
Investments in Subsidiary undertakings	–	–	–	–	–	–	–	58,037	58,037
Other assets	–	–	–	–	–	–	–	15	15
<b>Total assets</b>	<b>34</b>	<b>5</b>	<b>2,105</b>	<b>–</b>	<b>–</b>	<b>1,033</b>	<b>12,325</b>	<b>72,568</b>	<b>88,070</b>
<b>Liabilities</b>									
Derivative financial instruments	–	–	3	–	286	229	127	93	738
Senior debt	–	–	2,104	–	–	2,547	7,734	7,328	19,713
Other debt securities in issue	–	–	–	–	–	–	–	–	–
Amount owed to subsidiary undertakings	–	–	–	–	–	–	–	26	26
Other liabilities	298	86	68	7	20	–	–	36	515
Subordinated liabilities and other borrowed funds	–	–	–	–	–	–	5,478	9,110	14,588
<b>Total liabilities</b>	<b>298</b>	<b>86</b>	<b>2,175</b>	<b>7</b>	<b>306</b>	<b>2,776</b>	<b>13,339</b>	<b>16,593</b>	<b>35,580</b>
<b>Net liquidity gap</b>	<b>(264)</b>	<b>(81)</b>	<b>(70)</b>	<b>(7)</b>	<b>(306)</b>	<b>(1,743)</b>	<b>(1,014)</b>	<b>55,975</b>	<b>52,490</b>

### Financial liabilities on an undiscounted basis

	2020								Total \$million
	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	
Derivative financial instruments	138	–	114	–	–	10	50	48	360
Debt securities in issue	1,000	11	1,517	446	317	3,350	11,225	11,783	29,649
Subordinated liabilities and other borrowed funds	–	–	239	–	359	2,567	5,069	14,700	22,934
Other liabilities	–	–	–	–	–	–	–	36	36
<b>Total liabilities</b>	<b>1,138</b>	<b>11</b>	<b>1,870</b>	<b>446</b>	<b>676</b>	<b>5,927</b>	<b>16,344</b>	<b>26,567</b>	<b>52,979</b>

	2019								Total \$million
	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	
Derivative financial instruments	–	–	3	–	286	229	127	93	738
Debt securities in issue	–	18	2,331	18	250	3,030	8,879	8,145	22,671
Subordinated liabilities and other borrowed funds	–	–	221	26	361	618	7,002	14,166	22,394
Other liabilities	172	86	68	7	20	–	–	13	366
<b>Total liabilities</b>	<b>172</b>	<b>104</b>	<b>2,623</b>	<b>51</b>	<b>917</b>	<b>3,877</b>	<b>16,008</b>	<b>22,417</b>	<b>46,169</b>

## 40. Related undertakings of the Group

As at 31 December 2020, the Group's interests in related undertakings are disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of the Group. Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Funding (Jersey) Limited, Stanchart Nominees Limited, Standard Chartered Holdings Limited and Standard Chartered Nominees Limited are directly held subsidiaries, all other related undertakings are held indirectly. Unless otherwise stated, the principal country of operation of each subsidiary is the same as its country of incorporation. Note 32 details undertakings that have a significant contribution to the Group's net profit or net assets.

### Subsidiary undertakings

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom			
FinVentures UK Limited	United Kingdom	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
SC (Secretaries) Limited	United Kingdom	£1.00 Ordinary shares	100
SC Transport Leasing 1 Limited	United Kingdom	£1.00 Ordinary shares	100
SC Transport Leasing 2 Limited	United Kingdom	£1.00 Ordinary shares	100
SC Ventures Innovation Investment L.P.	United Kingdom	Limited Partnership interest	100
SCMB Overseas Limited	United Kingdom	£0.10 Ordinary shares	100
Stanchart Nominees Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Africa Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Bank	United Kingdom	\$0.01 Non-Cumulative Irredeemable Preference shares	100
		\$5.00 Non-Cumulative Redeemable Preference shares	100
		\$1.00 Ordinary shares	100
Standard Chartered Foundation <sup>1</sup>	United Kingdom	Guarantor	100
Standard Chartered Health Trustee (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Holdings Limited	United Kingdom	\$2.00 Ordinary shares	100
Standard Chartered I H Limited	United Kingdom	\$1.00 Ordinary shares	100
Standard Chartered Leasing (UK) 2 Limited	United Kingdom	\$1.00 Ordinary shares	100
Standard Chartered Leasing (UK) 3 Limited	United Kingdom	\$1.00 Ordinary shares	100
Standard Chartered Leasing (UK) Limited	United Kingdom	\$1.00 Ordinary shares	100
Standard Chartered NEA Limited	United Kingdom	\$1.00 Ordinary shares	100
Standard Chartered Nominees Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Nominees (Private Clients UK) Limited	United Kingdom	\$1.00 Ordinary shares	100
Standard Chartered Overseas Holdings Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Securities (Africa) Holdings Limited	United Kingdom	\$1.00 Ordinary shares	100
Standard Chartered Trustees (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered UK Holdings Limited	United Kingdom	£10.00 Ordinary shares	100
The SC Transport Leasing Partnership 1	United Kingdom	Limited Partnership interest	100
The SC Transport Leasing Partnership 2	United Kingdom	Limited Partnership interest	100
The SC Transport Leasing Partnership 3	United Kingdom	Limited Partnership interest	100
The SC Transport Leasing Partnership 4	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 1 LP <sup>1</sup>	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 2 LP <sup>1</sup>	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 3 LP <sup>1</sup>	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 4 LP <sup>1</sup>	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 5 LP <sup>1</sup>	United Kingdom	Limited Partnership interest	100
The following companies have the address of 2 More London Riverside, London SE12JT, United Kingdom			
Bricks (C&K) LP <sup>1</sup>	United Kingdom	Limited Partnership interest	100
Bricks (C) LP <sup>1</sup>	United Kingdom	Limited Partnership interest	100
Bricks (T) LP <sup>1</sup>	United Kingdom	Limited Partnership interest	100
The following company has the address of 8th Floor, 20 Farringdon Street, London, EC4A 4AB, United Kingdom			
SC Ventures G.P. Limited	United Kingdom	£1.00 Ordinary shares	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of TMF Group, 8th Floor, 20 Farringdon Street, London, EC4A 4AB, United Kingdom.			
Zodia Custody Limited	United Kingdom	\$1.00 Ordinary shares	100
Zodia Holdings Limited	United Kingdom	\$1.00 Ordinary shares	100
The following company has the address of Rua Gamal Abdel Nasser, Edifício Tres Torres, Eixo Viário, Distrito Urbano da Ingombota, Município de Luanda, Provincia de Luanda, Angola			
Standard Chartered Bank Angola S.A.	Angola	AOK8,742.05 Ordinary shares	60
The following company has the address of Level 5, 345 George St, Sydney NSW 2000, Australia			
Standard Chartered Grindlays Pty Limited	Australia	AUD Ordinary shares	100
The following companies have the address of 5th Floor Standard House Bldg, The Mall, Queens Road, PO Box 496, Gaborone, Botswana			
Standard Chartered Bank Insurance Agency (Proprietary) Limited	Botswana	BWP Ordinary shares	100
Standard Chartered Investment Services (Proprietary) Limited	Botswana	BWP Ordinary shares	100
Standard Chartered Bank Botswana Limited	Botswana	BWP Ordinary shares	75.8
Standard Chartered Botswana Education Trust <sup>2</sup>	Botswana	Interest in trust	100
Standard Chartered Botswana Nominees (Proprietary) Limited	Botswana	BWP Ordinary shares	100
The following company has the address of Avenida Brigadeiro Faria Lima, no 3.477, 6 andar, conjunto 62 – Torre Norte, Condominio Patio Victor Malzoni, CEP 04538-133, São Paulo, Brazil			
Standard Chartered Participacoes Ltda	Brazil	BRL1.00 Ordinary shares	100
The following company has the address of Avenida Brigadeiro Faria Lima, 3600 – 7º andar, conj 72 04538-132, São Paulo, Brazil.			
Standard Chartered Representação Ltda	Brazil	BRL1.00 Ordinary shares	100
The following company has the address of G01-02, Wisma Haji Mohd Taha Building, Jalan Gadong, BE4119, Brunei Darussalam			
Standard Chartered Securities (B) Sdn Bhd	Brunei Darussalam	BND1.00 Ordinary shares	100
The following company has the address of 1155, Boulevard de la Liberté, Douala, B.P. 1784, Cameroon			
Standard Chartered Bank Cameroon S.A	Cameroon	XAF10,000.00 Ordinary shares	100
The following company has the address of Maples Corporate Services Limited, PO Box 309, Uglan House, Grand Cayman KY1-1104, Cayman Islands			
Cerulean Investments LP	Cayman Islands	Limited Partnership interest	100
The following company has the address of Maples Finance Limited, PO Box 1093 GT, Queensgate House, Georgetown, Grand Cayman, Cayman Islands			
SCB Investment Holding Company Limited	Cayman Islands	\$1,000.00 A Ordinary shares	100
The following company has the address of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road George Town, Grand Cayman KY1-9008, Cayman Islands			
Sirat Holdings Limited	Cayman Islands	\$0.01 Ordinary shares	100
The following company has the address of No. 1034, Managed by Tianjin Dongjiang Secretarial Services Co. Ltd, Room 202, Office Area of Inspection Warehouse, No.6262 Ao Zhou Road, Dongjiang Free Trade Port Zone, Tianjin Pilot Free Trade Zone, China			
Pembroke Aircraft Leasing (Tianjin) Limited <sup>3</sup>	China	\$1.00 Ordinary shares	100
The following company has the address of No. 1035, Managed by Tianjin Dongjiang Secretarial Services Co. Ltd, Room 202, Office Area of Inspection Warehouse, No.6262 Ao Zhou Road, Dongjiang Free Trade Port Zone, Tianjin Pilot Free Trade Zone, China			
Pembroke Aircraft Leasing Tianjin 1 Limited <sup>3</sup>	China	CNY1.00 Ordinary shares	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of No. 1036, Managed by Tianjin Dongjiang Secretarial Services, Co. Ltd, Room 202, Office Area of Inspection Warehouse, No.6262 Ao Zhou Road, Dongjiang Free Trade Port Zon, Tianjin Pilot Free Trade Zone, China			
Pembroke Aircraft Leasing Tianjin 2 Limited <sup>3</sup>	China	CNY1.00 Ordinary shares	100
The following company has the address of Standard Chartered Tower, 201 Century Avenue, Pudong, Shanghai 200120, China			
Standard Chartered Bank (China) Limited <sup>3</sup>	China	CNY Ordinary shares	100
The following company has the address of 26F, Fortune Financial Centre, #5, Dong San Huan Zhong Lu, Chaoyang District, Beijing, P. R. China.			
Standard Chartered Corporate Advisory Co. Ltd <sup>3</sup>	China	\$1.00 Ordinary shares	100
The following company has the address of No. 35, Xinhuanbei Road, TEDA, Tianjin, 300457, China			
Standard Chartered Global Business Services Co. Limited <sup>3</sup>	China	\$ Ordinary shares	100
The following companies have the address of Units 61-65 (Office use only), Self-numbered Room 01-04, Room 901, No 6, Zhujiang East Road, Tianhe District, Guangzhou City, Guangdong Province, China			
Standard Chartered (Guangzhou) Business Management Co. Ltd. <sup>3</sup>	China	\$ Ordinary shares	100
Standard Chartered Global Business Services (Guangzhou) Co. Ltd. <sup>3</sup>	China	\$ Ordinary shares	100
The following company has the address of Standard Chartered Bank Cote d'Ivoire, 23 Boulevard de la République, Abidjan 17, 17 B.P. 1141, Cote d'Ivoire			
Standard Chartered Bank Cote d'Ivoire SA	Cote d'Ivoire	XOF100,000.00 Ordinary shares	100
The following company has the address of Standard Chartered Bank France, 32 Rue de Monceau, 75008, Paris, France			
Pembroke Lease France SAS	France	€1.00 Ordinary shares	100
The following company has the address of 8 Ecowas Avenue, Banjul, Gambia			
Standard Chartered Bank Gambia Limited	Gambia	GMD1.00 Ordinary shares	74.85
The following company has the address of Taunusanlage 16, 60325, Frankfurt am Main, Germany			
Standard Chartered Bank AG	Germany	€ Ordinary shares	100
The following companies have the address of Standard Chartered Bank Building, 87 Independence Avenue, P.O. Box 768, Accra, Ghana			
Standard Chartered Bank Ghana PLC	Ghana	GHS Ordinary shares GHS0.52 Preference shares	69.4 87.0
Standard Chartered Ghana Nominees Limited	Ghana	GHS Ordinary shares	100
The following company has the address of Standard Chartered Bank Ghana Limited, 87, Independence Avenue, Post Office Box 678, Accra, Ghana			
Standard Chartered Wealth Management Limited Company	Ghana	GHS Ordinary shares	100
The following company has the address of 15/F, Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong			
Horsford Nominees Limited	Hong Kong	HKD Ordinary shares	100
The following companies have the address of 14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.			
Kozagi Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered PF Real Estate (Hong Kong) Limited	Hong Kong	\$ Ordinary shares	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 25/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong			
Marina Acacia Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Amaryllis Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Amethyst Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Ametrine Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Angelite Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Apollo Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Beryl Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Carnelian Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Emerald Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Flax Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Gloxinia Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Hazel Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Honor Shipping Limited	Hong Kong	HKD Ordinary shares	100
		\$ Ordinary shares	100
Marina Ilex Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Iridot Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Kunzite Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Leasing Limited	Hong Kong	\$ Ordinary shares	100
Marina Mimosa Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Moonstone Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Peridot Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Sapphire Shipping Limited	Hong Kong	\$ Ordinary shares	100
Marina Splendor Shipping Limited	Hong Kong	HKD Ordinary shares	100
		\$ Ordinary shares	100
Marina Tourmaline Shipping Limited	Hong Kong	\$ Ordinary shares	100
Standard Chartered Leasing Group Limited	Hong Kong	\$ Ordinary shares	100
Standard Chartered Trade Support (HK) Limited	Hong Kong	HKD Ordinary shares	100
The following companies have the address of 3/F Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong			
Standard Chartered Private Equity Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered Private Equity Managers (Hong Kong) Limited	Hong Kong	HKD Ordinary shares	100
The following company has the address of 13/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong			
Standard Chartered Trust (Hong Kong) Limited	Hong Kong	HKD Ordinary shares	100
The following company has the address of 15/F, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong			
Standard Chartered Securities (Hong Kong) Limited	Hong Kong	HKD Ordinary shares	100
The following company has the address of 21/F, Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong			
Standard Chartered Asia Limited	Hong Kong	HKD Deferred shares	100
		HKD Ordinary shares	100
		\$ Ordinary shares	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 32/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong			
Standard Chartered Bank (Hong Kong) Limited	Hong Kong	HKD A Ordinary shares	100
		HKD B Ordinary shares	100
		\$ D Ordinary shares	100
		\$ C Ordinary shares	100
Mox Bank Limited	Hong Kong	HKD Ordinary shares	65.1
The following company has the address of 1st Floor, Europe Building, No.1, Haddows Road, Nungambakkam, Chennai, 600 006, India			
Standard Chartered Global Business Services Private Limited	India	INR10.00 Equity shares	100
The following company has the address of 90 M.G.Road, II Floor, Fort, Mumbai, Maharashtra, 400 001, India			
Standard Chartered Finance Private Limited	India	INR10.00 Ordinary shares	98.68
The following company has the address of Crescenzo, 6th Floor, Plot No 38-39, G Block, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra, 400051, India			
Standard Chartered Investments and Loans (India) Limited	India	INR10.00 Ordinary shares	100
The following company has the address of Crescenzo, 3A Floor, Plot No 38-39, G Block, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra, 400051, India			
Standard Chartered Private Equity Advisory (India) Private Limited	India	INR1,000.00 Ordinary shares	100
The following company has the address of Second Floor, Indiqube Edge, Khata No. 571/630/6/4, Sy.No.6/4, Ambalipura Village, Varthur Hobli, Marathahalli Sub-Division, Ward No. 150, Bengaluru, 560102, India.			
Standard Chartered Research and Technology India Private Limited	India	INR10.00 A Equity shares	100
		INR10.00 Preference shares	100
The following company has the address of 2nd Floor, 23-25 M.G. Road, Fort, Mumbai, 400 001, India			
Standard Chartered Securities (India) Limited	India	INR10.00 Ordinary shares	100
The following company has the address of Ground Floor, Crescenzo Building, G Block, C 38/39, Bandra Kurla Complex, Bandra (East), Mumbai, Maharashtra, 400051, India			
St Helen's Nominees India Private Limited	India	INR10.00 Equity shares	100
The following company has the address of Vaishnavi Serenity, First Floor, No. 112, Koramangala Industrial Area, 5th Block, Koramangala, Bangalore, Karnataka, 560095, India			
Standard Chartered (India) Modeling and Analytics Centre Private Limited	India	INR10.00 Equity shares	100
The following companies have the address of 32 Molesworth Street, Dublin 2, D02 Y512, Ireland			
Inishbrophy Leasing Limited	Ireland	€1.00 Ordinary shares	100
Inishcannon Leasing Limited	Ireland	\$1.00 Ordinary shares	100
Inishcrean Leasing Limited	Ireland	\$1.00 Ordinary shares	100
Inishdawson Leasing Limited	Ireland	€1.00 Ordinary shares	100
Inisherkin Leasing Limited	Ireland	\$1.00 Ordinary shares	100
Inishlynch Leasing Limited	Ireland	€1.00 Ordinary shares	100
Inishoo Leasing Limited	Ireland	\$1.00 Ordinary shares	100
Nightjar Limited	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 1 Limited	Ireland	€1.00 Ordinary shares	100
Pembroke Aircraft Leasing 2 Limited	Ireland	€1.00 Ordinary shares	100
Pembroke Aircraft Leasing 3 Limited	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 4 Limited	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 5 Limited	Ireland	\$1.00 Ordinary shares	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
Pembroke Aircraft Leasing 6 Limited	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 7 Limited	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 8 Limited	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 9 Limited	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 10 Limited	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 11 Limited	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 12 Limited	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 13 Limited	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 14 Limited	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 15 Limited	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 16 Limited	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing Holdings Limited	Ireland	\$1.00 Ordinary shares	100
Pembroke Capital Limited	Ireland	€1.25 Ordinary shares	100
		\$1.00 Ordinary shares	100
Skua Limited	Ireland	\$1.00 Ordinary shares	100
The following company has the address of First Names House, Victoria Road, Douglas, IM2 4DF, Isle of Man			
Pembroke Group Limited <sup>5</sup>	Isle of Man	\$0.01 Ordinary shares	100
The following companies have the address of 1st Floor, Goldie House, 1-4 Goldie Terrace, Upper Church Street, Douglas, IM1 1EB, Isle of Man			
Standard Chartered Assurance Limited	Isle of Man	\$1.00 Ordinary shares	100
		\$1.00 Redeemable Preference shares	100
Standard Chartered Insurance Limited <sup>6</sup>	Isle of Man	\$1.00 Ordinary shares	100
The following company has the address of 21/F, Sanno Park Tower, 2-11-1 Nagatacho, Chiyoda-ku, Tokyo, 100-6155, Japan			
Standard Chartered Securities (Japan) Limited	Japan	JPY50,000 Ordinary shares	100
The following company has the address of 15 Castle Street, St Helier, JE4 8PT, Jersey			
SCB Nominees (CI) Limited	Jersey	\$1.00 Ordinary shares	100
The following company has the address of IFC 5, St Helier, JE1 1ST, Jersey			
Standard Chartered Funding (Jersey) Limited <sup>6</sup>	Jersey	£1.00 Ordinary shares	100
The following companies have the address of StandardChartered@Chiro, Number 48, Westlands Road, P. O. Box 30003 – 00100, Nairobi, Kenya			
Standard Chartered Investment Services Limited	Kenya	KES20.00 Ordinary shares	100
Standard Chartered Bank Kenya Limited	Kenya	KES5.00 Ordinary shares	74.32
		KES5.00 Preference shares	100
Standard Chartered Securities (Kenya) Limited	Kenya	KES10.00 Ordinary shares	100
Standard Chartered Financial Services Limited	Kenya	KES20.00 Ordinary shares	100
Standard Chartered Insurance Agency Limited	Kenya	KES100.00 Ordinary shares	100
Standard Chartered Kenya Nominees Limited	Kenya	KES20.00 Ordinary shares	100
The following company has the address of M6-2701, West 27FI, Suha-dong, 26, Eulji-ro 5-gil, Jung-gu, Seoul, Korea, Republic of			
Resolution Alliance Korea Ltd <sup>4</sup>	Korea, Republic of	KRW5,000.00 Ordinary shares	100
The following companies have the address of 2/F, 47 Jongno, Jongno-gu, Seoul, 110-702, Korea, Republic of			
Standard Chartered Bank Korea Limited	Korea, Republic of	KRW5,000.00 Ordinary shares	100
Standard Chartered Securities Korea Limited	Korea, Republic of	KRW5,000.00 Ordinary shares	100
The following company has the address of Atrium Building, Maarad Street, 3rd Floor, P.O.Box: 11-4081 Riad El Solh, Beirut, Beirut Central District, Lebanon			
Standard Chartered Metropolitan Holdings SAL	Lebanon	\$10.00 Ordinary A shares	100



## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of Level 26, Equatorial Plaza, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia			
Cartaban (Malaya) Nominees Sdn Berhad	Malaysia	RM Ordinary shares	100
Cartaban Nominees (Asing) Sdn Bhd	Malaysia	RM Ordinary shares	100
Cartaban Nominees (Tempatan) Sdn Bhd	Malaysia	RM Ordinary shares	100
Golden Maestro Sdn Bhd	Malaysia	RM Ordinary shares	100
Popular Ambience Sdn Bhd	Malaysia	RM Ordinary shares	100
Price Solutions Sdn Bhd	Malaysia	RM Ordinary shares	100
SCBMB Trustee Berhad	Malaysia	RM Ordinary shares	100
Standard Chartered Bank Malaysia Berhad	Malaysia	RM Irredeemable Convertible Preference shares	100
		RM Ordinary shares	100
Standard Chartered Saadiq Berhad	Malaysia	RM Ordinary shares	100
The following companies have the address of TMF Trust Labuan Limited, Brumby Centre, Lot 42, Jalan Muhibbah, 87000 Labuan F.T., Malaysia			
Marina Morganite Shipping Limited <sup>7</sup>	Malaysia	\$ Ordinary shares	100
Marina Moss Shipping Limited <sup>7</sup>	Malaysia	\$ Ordinary shares	100
Marina Tanzanite Shipping Limited <sup>7</sup>	Malaysia	\$ Ordinary shares	100
Pembroke Leasing (Labuan) 3 Berhad	Malaysia	\$ Ordinary shares	100
The following company has the address of Suite 18-1, Level 18, Vertical Corporate Tower B, Avenue 10, The Vertical, Bangsar South City, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia			
Resolution Alliance Sdn Bhd <sup>1</sup>	Malaysia	RM Ordinary shares	91
		RM Irredeemable Preference shares	100
The following company has the address of Level 1, Wisma Standard Chartered, Jalan Teknologi 8, Taman Teknologi Malaysia, 57000 Bukit Jalil, Kuala Lumpur, Wilayah Persekutuan, Malaysia			
Standard Chartered Global Business Services Sdn Bhd	Malaysia	RM Ordinary shares	100
The following companies have the address of Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands			
Marina Alysse Shipping Limited <sup>7</sup>	Marshall Islands	\$1.00 Ordinary shares	100
Marina Amandier Shipping Limited <sup>7</sup>	Marshall Islands	\$1.00 Ordinary shares	100
Marina Ambroisee Shipping Limited <sup>7</sup>	Marshall Islands	\$1.00 Ordinary shares	100
Marina Angelica Shipping Limited <sup>7</sup>	Marshall Islands	\$1.00 Ordinary shares	100
Marina Aventurine Shipping Limited <sup>7</sup>	Marshall Islands	\$1.00 Ordinary shares	100
Marina Buxus Shipping Limited <sup>7</sup>	Marshall Islands	\$1.00 Ordinary shares	100
Marina Citrine Shipping Limited <sup>7</sup>	Marshall Islands	\$1.00 Ordinary shares	100
Marina Dahlia Shipping Limited <sup>7</sup>	Marshall Islands	\$1.00 Ordinary shares	100
Marina Dittany Shipping Limited <sup>7</sup>	Marshall Islands	\$1.00 Ordinary shares	100
Marina Dorado Shipping Limited <sup>7</sup>	Marshall Islands	\$1.00 Ordinary shares	100
Marina Lilac Shipping Limited <sup>7</sup>	Marshall Islands	\$1.00 Ordinary shares	100
Marina Lolite Shipping Limited <sup>7</sup>	Marshall Islands	\$1.00 Ordinary shares	100
Marina Obsidian Shipping Limited <sup>7</sup>	Marshall Islands	\$1.00 Ordinary shares	100
Marina Pissenlet Shipping Limited <sup>7</sup>	Marshall Islands	\$1.00 Ordinary shares	100
Marina Protea Shipping Limited <sup>7</sup>	Marshall Islands	\$1.00 Ordinary shares	100
Marina Quartz Shipping Limited <sup>7</sup>	Marshall Islands	\$1.00 Ordinary shares	100
Marina Remora Shipping Limited <sup>7</sup>	Marshall Islands	\$1.00 Ordinary shares	100
Marina Turquoise Shipping Limited <sup>7</sup>	Marshall Islands	\$1.00 Ordinary shares	100
Marina Zircon Shipping Limited <sup>7</sup>	Marshall Islands	\$1.00 Ordinary shares	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of SGG Corporate Services (Mauritius) Ltd, 33, Edith Cavell St, Port Louis, 11324, Mauritius			
Actis Treit Holdings (Mauritius) Limited <sup>1</sup>	Mauritius	Class A \$1.00 Ordinary shares	62.001
		Class B \$1.00 Ordinary shares	62.001
The following company has the address of 6/F, Standard Chartered Tower, 19, Bank Street, Cybercity, Ebene, 72201, Mauritius			
Standard Chartered Bank (Mauritius) Limited	Mauritius	\$ Ordinary shares	100
The following companies have the address of c/o Ocorian Corporate Services (Mauritius) Ltd, 6th Floor, Tower A, 1 Cybercity, Ebene, 72201, Mauritius			
Standard Chartered Financial Holdings	Mauritius	\$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) Limited	Mauritius	\$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) II Limited	Mauritius	\$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) III Limited	Mauritius	\$1.00 Ordinary shares	100
The following company has the address of C/O International Proximity, 5th Floor, Ebene Esplanade, 24 Bank Street, Cybercity, Ebene, Plaines, Wilhems, 72201, Mauritius			
Subcontinental Equities Limited	Mauritius	\$1.00 Ordinary shares	100
The following company has the address of Standard Chartered Bank Nepal Limited, Madan Bhandari Marg, Ward No.34, Kathmandu Metropolitan City, Kathmandu District, Bagmati Zone, Kathmandu, Nepal			
Standard Chartered Bank Nepal Limited	Nepal	NPR100.00 Ordinary shares	70.21
The following company has the address of Hoogoorddreef 15, 1101 BA, Amsterdam, Netherlands			
Pembroke Holland B.V.	Netherlands	€450.00 Ordinary shares	100
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom			
Standard Chartered Holdings (Africa) B.V. <sup>6</sup>	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings (Asia Pacific) B.V. <sup>6</sup>	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings (International) B.V. <sup>6</sup>	Netherlands	€4.50 Ordinary shares	100
Standard Chartered MB Holdings B.V. <sup>6</sup>	Netherlands	€4.50 Ordinary shares	100
The following companies have the address of 142, Ahmadu Bello Way, Victoria Island, Lagos, 101241, Nigeria			
Cherroots Nigeria Limited	Nigeria	NGN1.00 Ordinary Shares	100
Standard Chartered Bank Nigeria Limited	Nigeria	NGN1.00 Irredeemable Non Cumulative Preference shares	100
		NGN1.00 Ordinary shares	100
		NGN1.00 Redeemable Preference shares	100
Standard Chartered Capital & Advisory Nigeria Limited	Nigeria	NGN1.00 Ordinary shares	100
Standard Chartered Nominees (Nigeria) Limited	Nigeria	NGN1.00 Ordinary shares	100
The following company has the address of 3/F Main SCB Building, I.I Chundrigar Road, Karachi, Sindh, 74000, Pakistan			
Price Solution Pakistan (Private) Limited	Pakistan	PKR10.00 Ordinary shares	100
The following company has the address of P.O. Box No. 55561.I. Chundrigar Road, Karachi, 74000, Pakistan			
Standard Chartered Bank (Pakistan) Limited	Pakistan	PKR10.00 Ordinary shares	98.99
The following company has the address of Rondo Daszyńskiego 2B, 00-843, Warsaw, Poland			
Standard Chartered Global Business Services spółka z ograniczona odpowiedzialnoscia	Poland	PLN50.00 Ordinary shares	100
The following company has the address of Vistra Corporate Services Centre, Ground Floor, NPF Building, Beach Road, Apia, Samoa			
Standard Chartered Nominees (Western Samoa) Limited	Samoa	\$1.00 Ordinary shares	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Al Faisaliah Office Tower Floor No 7 (T07D), King Fahad Highway, Olaya District, Riyadh P.O. box 295522, Riyadh, 11351, Saudi Arabia			
Standard Chartered Capital (Saudi Arabia)	Saudi Arabia	SAR10.00 Ordinary shares	100
The following company has the address of 9 & 11, Lightfoot Boston Street, Freetown, Sierra Leone			
Standard Chartered Bank Sierra Leone Limited	Sierra Leone	SLL1.00 Ordinary shares	80.7
The following company has the address of Marina Bay Financial Centre (Tower 1), 8 Marina Boulevard, Level 23, 018981, Singapore			
Standard Chartered Private Equity (Singapore) Pte. Ltd	Singapore	\$ Ordinary shares	100
The following companies have the address of 8 Marina Boulevard, Level 26, Marina Bay Financial Centre, Tower 1, 018981, Singapore			
Marina Aquata Shipping Pte. Ltd	Singapore	\$ Ordinary shares	100
Marina Aruana Shipping Pte. Ltd	Singapore	SGD Ordinary shares	100
		\$ Ordinary shares	100
Marina Aster Shipping Pte. Ltd	Singapore	SGD Ordinary shares	100
Marina Cobia Shipping Pte. Ltd	Singapore	SGD Ordinary shares	100
		\$ Ordinary shares	100
Marina Daffodil Shipping Pte. Ltd	Singapore	SGD Ordinary shares	100
Marina Fatmarini Shipping Pte. Ltd	Singapore	\$ Ordinary shares	100
Marina Frabandari Shipping Pte. Ltd	Singapore	\$ Ordinary shares	100
Marina Freesia Shipping Pte. Ltd	Singapore	SGD Ordinary shares	100
Marina Gerbera Shipping Pte. Ltd	Singapore	\$ Ordinary shares	100
Marina Mars Shipping Pte. Ltd	Singapore	SGD Ordinary shares	100
Marina Mercury Shipping Pte. Ltd	Singapore	SGD Ordinary shares	100
Marina Opah Shipping Pte. Ltd	Singapore	SGD Ordinary shares	100
		\$ Ordinary shares	100
Marina Partawati Shipping Pte. Ltd	Singapore	\$ Ordinary shares	100
Marina Poise Shipping Pte. Ltd	Singapore	\$ Ordinary shares	100
The following companies have the address of 9 Raffles Place, #27-00 Republic Plaza, 048619, Singapore.			
Actis RE Investment 1 Private Limited <sup>1</sup>	Singapore	SGD Ordinary shares	100
Actis RE Investment 2 Private Limited <sup>1</sup>	Singapore	SGD Ordinary shares	100
Actis RE Investment 3 Private Limited <sup>1</sup>	Singapore	SGD Ordinary shares	100
Actis RE Investment 4 Private Limited <sup>1</sup>	Singapore	SGD Ordinary shares	100
Actis Treit Holdings No.1 (Singapore) Private Limited <sup>1</sup>	Singapore	SGD Ordinary shares	100
Actis Treit Holdings No.2 (Singapore) Private Limited <sup>1</sup>	Singapore	SGD Ordinary shares	100
The following company has the address of 7 Changi Business Park Crescent, #03-00 Standard Chartered @ Changi, 486028, Singapore			
Raffles Nominees (Pte.) Limited	Singapore	SGD Ordinary shares	100
The following companies have the address of 8 Marina Boulevard, #27-01 Marina Bay Financial Centre Tower 1, 018981, Singapore			
SCTS Capital Pte. Ltd	Singapore	SGD Ordinary shares	100
SCTS Management Pte. Ltd	Singapore	SGD Ordinary shares	100
Standard Chartered Bank (Singapore) Limited	Singapore	SGD Ordinary shares	100
		SGD Non-cumulative Preference shares	100
		SGD Non-cumulative Class C Preference shares	100
		\$ Ordinary shares	100
		\$ Preference shares	100
Standard Chartered Trust (Singapore) Limited	Singapore	SGD Ordinary shares	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
Standard Chartered Holdings (Singapore) Private Limited	Singapore	SGD Ordinary shares	100
		\$ Ordinary shares	100
SC Bank Solutions (Singapore) Limited	Singapore	SGD Ordinary shares	100
Standard Chartered Real Estate Investment Holdings (Singapore) Private Limited	Singapore	\$ Ordinary shares	100
The following company has the address of 120 Robinson Road, #08-01, 068913, Singapore			
Standard Chartered Nominees (Singapore) Pte Ltd	Singapore	SGD Ordinary shares	100
The following companies have the address of 80 Robinson Road, #02-00, 068898, Singapore			
Autumn Life Pte. Ltd	Singapore	\$ Ordinary shares	100
Cardspal Pte. Ltd	Singapore	\$ Ordinary shares	100
Nexco Pte. Ltd	Singapore	\$ Ordinary shares	100
The following companies have the address of 2nd Floor, 115 West Street, Sandton, Johannesburg, 2196, South Africa			
CMB Nominees (RF) PTY Limited	South Africa	ZAR1.00 Ordinary shares	100
Standard Chartered Nominees South Africa Proprietary Limited (RF)	South Africa	ZAR Ordinary shares	100
The following company has the address of 1, 2, 4, 7, 9, 10F, No. 168/170 & 8F, 12F, No.168, Tun Hwa N. Rd., Songshan Dist., Taipei, 105, Taiwan			
Standard Chartered Bank (Taiwan) Limited	Taiwan	TWD10.00 Ordinary shares	100
The following companies have the address of 1 Floor, International House, Shaaban Robert Street / Garden Avenue, PO Box 9011, Dar Es Salaam, Tanzania, United Republic of			
Standard Chartered Bank Tanzania Limited	Tanzania, United Republic of	TZS1,000.00 Ordinary shares	100
		TZS1,000.00 Preference shares	100
Standard Chartered Tanzania Nominees Limited	Tanzania, United Republic of	TZS1,000.00 Ordinary shares	100
The following company has the address of 100 North Sathorn Road, Silom, Bangrak Bangkok, 10500, Thailand			
Standard Chartered Bank (Thai) Public Company Limited	Thailand	THB10.00 Ordinary shares	99.99
The following company has the address of Buyukdere Cad. Yapi Kredi Plaza C Blok, Kat 15, Levent, Istanbul, 34330, Turkey			
Standard Chartered Yatirim Bankasi Turk Anonim Sirketi	Turkey	TRL0.10 Ordinary shares	100
The following company has the address of Standard Chartered Bank Bldg, 5 Speke Road, PO Box 7111, Kampala, Uganda			
Standard Chartered Bank Uganda Limited	Uganda	UGS1,000.00 Ordinary shares	100
The following company has the address of 505 Howard St. #201, San Francisco, CA 94105, United States			
SC Studios, LLC	United States	Membership Interest	100
The following company has the address of Standard Chartered Bank, 37F, 1095 Avenue of the Americas, New York 10036, United States			
Standard Chartered Bank International (Americas) Limited	United States	\$1,000.00 Ordinary shares	100
The following companies have the address of Corporation Trust Centre, 1209 Orange Street, Wilmington DE 19801, United States			
Standard Chartered Holdings Inc.	United States	\$100.00 Common shares	100
Standard Chartered Capital Management (Jersey), LLC	United States	\$ Ordinary shares	100
Standard Chartered Securities (North America) LLC	United States	Membership interest	100
StanChart Securities International LLC	United States	Membership interest	100
Standard Chartered International (USA) LLC	United States	Membership interest	100
The following company has the address of 50 Fremont Street, San Francisco CA 94105, United States			
Standard Chartered Overseas Investment Inc.	United States	\$10.00 Ordinary shares	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of C/O Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States			
Standard Chartered Trade Services Corporation	United States	\$0.01 Common shares	100
The following company has the address of Room 1810-1815, Level 18, Building 72, Keangnam Hanoi Landmark Tower, Pham Hung Road, Cau Giay New Urban Area, Me Tri Ward, Nam Tu Liem District, Hanoi 10000, Vietnam			
Standard Chartered Bank (Vietnam) Limited	Vietnam	VND Charter Capital shares	100
The following companies have the address of Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, Virgin Islands, British			
Sky Favour Investments Limited	Virgin Islands, British	\$1.00 Ordinary shares	100
Sky Harmony Holdings Limited	Virgin Islands, British	\$1.00 Ordinary shares	100
The following companies have the address of Stand 13, Standard Chartered House, Cairo Road, P.O. Box 32238, Lusaka, Zambia, 10101, Zambia			
Standard Chartered Bank Zambia Plc	Zambia	ZMW0.25 Ordinary shares	90
Standard Chartered Zambia Securities Services Nominees Limited	Zambia	ZMW1.00 Ordinary shares	100
The following companies have the address of Africa Unity Square Building, 68 Nelson Mandela Avenue, Harare, Zimbabwe			
Africa Enterprise Network Trust <sup>2</sup>	Zimbabwe	Interest in trust	100
Standard Chartered Bank Zimbabwe Limited	Zimbabwe	\$1.00 Ordinary shares	100
Standard Chartered Nominees Zimbabwe (Private) Limited	Zimbabwe	\$2.00 Ordinary shares	100

1 The Group has determined that these undertakings are excluded from being consolidated into the Groups accounts, and do not meet the definition of a subsidiary under IFRS. See Notes 31 and 32 for the consolidation policy and disclosure of the undertaking

2 No share capital by virtue of being a trust

3 Limited liability company

4 The Group has determined the principal country of operation to be Singapore

5 The Group has determined the principal country of operation to be Ireland

6 The Group has determined the principal country of operation to be the United Kingdom

7 The Group has determined the principal country of operation to be Hong Kong

### Joint ventures

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 38 Beach Road, #29-11 South Beach Tower, 189767, Singapore			
Assembly Payments Pte. Ltd.	Singapore	\$ Ordinary shares	50
		\$ Preference shares	50
The following company has the address of 100/36 Sathorn Nakorn Tower, Fl 21 North Sathorn Road, Silom Sub-District, Bangrak District, Bangkok, 10500, Thailand			
Resolution Alliance Limited	Thailand	THB10.00 Ordinary shares	49

## 40. Related undertakings of the Group continued

### Associates

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 3 More London Riverside, London, England, SE1 2AQ, United Kingdom			
Trade Information Network Limited	United Kingdom	\$1.00 Ordinary shares	16.667
The following company has the address of Bohai Bank Building, No.218 Hai He Dong Lu, Hedong District, Tianjin, China, 300012, China			
China Bohai Bank Co. Ltd	China	CNY Ordinary shares	16.263
The following company has the address of 17/F, 100, Gongpyeong-dong, Jongno-gu, Seoul, Korea, Republic of			
Ascenta IV	Korea, Republic of	KRW1.00 Partnership interest	39.063
The following company has the address of C/o CIM Corporate Services Ltd, Les Cascades, Edith Cavell Street, Port Louis, Mauritius			
FAI Limited	Mauritius	\$1.00 Ordinary shares	25
The following company has the address of Victoria House, State House Avenue, Victoria, MAHE, Seychelles			
Seychelles International Mercantile Banking Corporation Limited	Seychelles	SCR1,000.00 Ordinary shares	22
The following company has the address of 1 Raffles Quay, #23-01, One Raffles Quay, 048583, Singapore			
Clifford Capital Holdings Pte. Ltd.	Singapore	\$1.00 Ordinary shares	9.9
The following company has the address of Avenue de Tivoli 2, 1007, Lausanne, Switzerland			
Metaco SA	Switzerland	CHF 0.01 Preference A shares	29.505

### Significant investment holdings and other related undertakings

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands			
ATSC Cayman Holdco Limited	Cayman Islands	\$0.01 A Ordinary shares	5.3
		\$0.01 B Ordinary shares	100
The following company has the address of 3, Floor 1, No.1, Shiner Wuxingcaiyuan, West Er Huan Rd, Xi Shan District, Kunming, Yunnan Province, PR, China			
Yunnan Golden Shiner Property Development Co. Ltd	China	CNY1.00 Ordinary shares	42.5
The following companies have the address of Unit 605-08, 6/F Wing On Centre, 111 Connaught Rd, Central Sheung Wan, Hong Kong			
Actis Carrock Holdings (HK) Limited	Hong Kong	\$ Class A Ordinary shares	39.69
		\$ Class B Ordinary shares	39.69
Actis Jack Holdings (HK) Limited	Hong Kong	\$ Class A Ordinary shares	39.69
		\$ Class B Ordinary shares	39.69
Actis Rivendell Holdings (HK) Limited	Hong Kong	\$ Class A Ordinary shares	39.69
		\$ Class B Ordinary shares	39.69
Actis Temple Stay Holdings (HK) Limited	Hong Kong	\$ Class A Ordinary shares	39.69
		\$ Class B Ordinary shares	39.69
Actis Young City Holdings (HK) Limited	Hong Kong	\$ Class A Ordinary shares	39.69
		\$ Class B Ordinary shares	39.69
The following company has the address of 1221 A, Devika Tower, 12th Floor, 6 Nehru Place, New Delhi 110019, India			
Mikado Realtors Private Limited	India	INR10.00 Ordinary shares	26

## 40. Related undertakings of the Group continued

### Significant investment holdings and other related undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Elphinstone Building, 2nd Floor, 10 Veer Nariman Road, Fort, Mumbai -400001, Maharashtra, India			
TRIL IT4 Private Limited	India	INR10.00 Ordinary shares	26
The following company has the address of 4/F, 274, Chitalia House, Dr. Cawasji Hormusji Road, Dhobi Talao, Mumbai City, Maharashtra, India 400 002, India			
Industrial Minerals and Chemical Co. Pvt. Ltd	India	INR100.00 Ordinary shares	26
The following company has the address of 17/F (Gongpyung-dong), 100, Jongno-gu, Seoul, Korea, Republic of			
Ascenta III	Korea, Republic of	KRW Class B Equity shares	31
The following company has the address of 1 Venture Avenue, #07-07 Big Box, 608521, Singapore			
Omni Centre Pte. Ltd.	Singapore	SGD Redeemable Convertible Preference shares	100
The following company has the address of 3 Jalan Pisang, c/o Watiga Trust Ltd, 199070 Singapore			
SCIAIGF Liquidating Trust	Singapore	Interest in trust	43.96
The following company has the address of 251 Little Falls Drive, Wilmington, New Castle DE 19808, United States			
Paxata, Inc.	United States	\$0.0001 Series C2 Preferred Stock	40.741
		\$0.0001 Series C3 Preferred Stock	10.112

### In liquidation

#### Subsidiary undertakings

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Deloitte LLP, 1 New Street Square, London, EC3A 3HQ, United Kingdom			
SC Leaseco Limited	United Kingdom	\$1.00 Ordinary shares	100
The following companies have the address of Hill House, 1 Little New Street, London, EC4A 3TR, United Kingdom			
Standard Chartered APR Limited	United Kingdom	\$1.00 Ordinary shares	100
Compass Estates Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Masterbrand Licensing Limited	United Kingdom	\$1.00 Ordinary shares	100
The following company has the address of 2 More London Riverside, London SE1 2JT, United Kingdom			
Bricks (M) LP	United Kingdom	Limited Partnership interest	100
The following company has the address of 51-55 Jalan Sultan, Complex Jalan sultan, Bandar Seri Begawan, BS8811, Brunei Darussalam			
Standard Chartered Finance (Brunei) Bhd	Brunei Darussalam	BND1.00 Ordinary shares	100
The following company has the address of Mourant Ozannes Corporate Services (Cayman) Limited, Harbour Centre, 42 North Church Street, PO Box 1348, Grand Cayman KY1-1108, Cayman Islands			
Sunflower Cayman SPC	Cayman Islands	\$1.00 Management shares	100
The following company has the address of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road George Town, Grand Cayman KY1-9008, Cayman Islands			
Standard Chartered Principal Finance (Cayman) Limited	Cayman Islands	\$0.0001 Ordinary shares	100
The following company has the address of No. 188 Yesheh Rd, 11F, A-1161 RM, Pudong New District, Shanghai 31201308, China			
Standard Chartered Trading (Shanghai) Limited	China	\$15,000,000.00 Ordinary shares	100



## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of Bordeaux Court, Les Echelons, South Esplanade, St. Peter Port, Guernsey			
Birdsong Limited	Guernsey	£1.00 Ordinary shares	100
Nominees One Limited	Guernsey	£1.00 Ordinary shares	100
Nominees Two Limited	Guernsey	£1.00 Ordinary shares	100
Songbird Limited	Guernsey	£1.00 Ordinary shares	100
Standard Chartered Secretaries (Guernsey) Limited	Guernsey	£1.00 Ordinary shares	100
Standard Chartered Trust (Guernsey) Limited	Guernsey	£1.00 Ordinary shares	100
The following company has the address of 13/F, Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong			
S C Learning Limited	Hong Kong	HKD Ordinary shares	100
The following company has the address of 8/Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong			
Leopard Hong Kong Limited	Hong Kong	\$ Ordinary shares	100
The following company has the address of 32/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong			
Standard Chartered Sherwood (HK) Limited	Hong Kong	HKD Ordinary shares	100
The following company has the address of 14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.			
Ori Private Limited	Hong Kong	\$ Ordinary shares	100
		\$ A Ordinary shares	90.7
The following company has the address of Menara Standard Chartered, 3rd Floor, Jl. Prof.Dr. Satrio no. 164, Setiabudi, Jakarta Selatan, Indonesia			
PT Solusi Cakra Indonesia (dalam likuidasi)	Indonesia	IDR23,809,600.00 Ordinary shares	99
The following company has the address of No. 157 – 157 A, Jakarta Barat, 11130, Indonesia			
PT. Price Solutions Indonesia (dalam likuidasi)	Indonesia	\$100.00 Ordinary shares	100
The following company has the address of Standard Chartered@Chiro, Number 48, Westlands Road, P. O. Box 30003 - 00100, Nairobi, Kenya			
Standard Chartered Management Services Limited	Kenya	KES20.00 Ordinary shares	100
The following company has the address of 30 Rue Schrobilgen, 2526, Luxembourg			
Standard Chartered Financial Services (Luxembourg) S.A.	Luxembourg	€25.00 Ordinary shares	100
The following companies have the address of Brumby Centre, Lot 42, Jalan Muhibbah, 87000 Labuan F.T., Malaysia			
Pembroke Leasing (Labuan) 2 Berhad	Malaysia	\$ Ordinary shares	100
Pembroke Leasing (Labuan) Pte Limited	Malaysia	\$ Ordinary shares	100
The following company has the address of IQ EQ Corporate Services (Mauritius) Ltd, Les Cascades Building, 33, Edith Cavell Street Port Louis, 11324, Mauritius			
Actis Asia Real Estate (Mauritius) Limited	Mauritius	Class A \$1.00 Ordinary shares	100
		Class B \$1.00 Ordinary shares	100
The following company has the address of Jiron Huascar 2055, Jesus Maria, Lima 15072, Peru			
Banco Standard Chartered en Liquidacion	Peru	\$75.133 Ordinary shares	100



## 40. Related undertakings of the Group continued

### Subsidiary Undertakings continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 8 Marina Boulevard, Level 27, Marina Bay Financial Centre, Tower 1, 018981, Singapore			
Standard Chartered (2000) Limited	Singapore	SGD1.00 Ordinary shares	100
The following company has the address of Abogado Pte Ltd, No. 8 Marina Boulevard, #05-02 MBFC Tower 1, 018981, Singapore			
Standard Chartered IL&FS Management (Singapore) Pte. Limited	Singapore	\$ Ordinary shares	50
The following company has the address of 6/F, Hewlett Packard Building, 337 Fu Hsing North Road, Taipei, Taiwan			
Kwang Hua Mocatta Company Ltd. (Taiwan)	Taiwan	TWD1,000.00 Ordinary shares	97.92
The following company has the address of Luis Alberto de Herrera 1248, Torre II, Piso 11, Esc. 1111, Uruguay			
Standard Chartered Uruguay Representacion S.A.	Uruguay	UYU1.00 Ordinary shares	100

### Significant investment holdings and other related undertakings

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor, Malaysia			
House Network SDN BHD	Malaysia	RM1.00 Ordinary shares	25

### Liquidated/dissolved/sold

#### Subsidiary undertakings

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
B.W.A Dependents Limited	United Kingdom	£1.00 Ordinary shares	100
Bricks (P) LP	United Kingdom	Limited Partnership interest	100
Standard Chartered Capital Markets Limited	United Kingdom	£1.00 Ordinary shares	100
		\$1.00 Ordinary shares	100
Chartered Financial Holdings Limited	United Kingdom	£5.00 Ordinary shares	100
		£1.00 Preference shares	100
Standard Chartered Debt Trading Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered (Canada) Limited	Canada	CAD1.00 Ordinary shares	100
Standard Chartered Saadiq Mudarib Company Limited	Cayman Islands	\$1.00 Ordinary shares	100
Sociedad Fiduciaria Extebandes S.A.	Colombia	COP1.00 Ordinary shares	100
American Express International Finance Corp.N.V.	Curaçao	\$1,000.00 Ordinary shares	100
Ricanex Participations N.V.	Curaçao	\$1,000.00 Ordinary shares	100
Majestic Legend Limited	Hong Kong	HKD1.00 Ordinary shares	100
Standard Chartered Global Trading Investments Limited	Hong Kong	HKD Ordinary shares	100
Pembroke Capital Shannon Limited	Ireland	€1.25 Ordinary shares	100
Ascenta II	Korea, Republic of	KRW1,000,000.00 Partnership interest	100
Amphissa Corporation Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Marina Celsie Shipping Limited	Marshall Islands	\$1.00 Ordinary shares	100
Standard Chartered PF Managers Pte. Limited	Singapore	\$ Ordinary shares	100
Standard Chartered Bank (Switzerland) S.A.	Switzerland	CHF1,000.00 Ordinary shares	100
		CHF100.00 Participation Capital shares	100

## 40. Related undertakings of the Group continued

### Joint ventures

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
PT Bank Permata Tbk	Indonesia	IDR125.00 B shares	44.6

### Significant investment holdings and other related undertakings

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
Standard Chartered IL&FS Asia Infrastructure (Cayman) Limited	Cayman Islands	\$0.01 Ordinary shares	50
Standard Chartered IL&FS Asia Infrastructure Growth Fund Company Limited	Cayman Islands	\$1.00 Ordinary shares	50
Standard Chartered IL&FS Asia Infrastructure Growth Fund, L.P.	Cayman Islands	Partnership interest	38.6
PT Trikonsel Oke Tbk	Indonesia	IDR50.00 Series B shares	29.195
Standard Jazeera Limited	Jersey	\$1.00 Class A Redeemable Preference shares	20
		\$1.00 Class C Redeemable Preference shares	100
		\$1.00 Ordinary shares	20
Standard Topaz Limited	Jersey	\$1,000.00 Ordinary shares	20.1
		\$1.00 Class C Redeemable Preference shares	100