

Standard Chartered PLC

Pillar 3 Disclosures

30 June 2020

Incorporated in England with registered number 966425
Principal Office: 1 Basinghall Avenue, London, EC2V 5DD, UK

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Standard Chartered Bank is headquartered in London where it is authorised by the UK's Prudential Regulation Authority (PRA), and Standard Chartered PLC Group and Standard Chartered Bank are regulated by the Financial Conduct Authority (FCA) and the PRA. Within this document 'the Group' refers to Standard Chartered PLC together with its subsidiary undertakings. Unless the context requires, within this document, 'China' refers to the People's Republic of China and, for the purposes of this document only, excludes Hong Kong Special Administrative Region (Hong Kong), Macau Special Administrative Region (Macau) and Taiwan. 'Korea' or 'South Korea' refers to the Republic of Korea. Greater China & North Asia (GCNA) includes China, Hong Kong, Japan, Korea, Macau and Taiwan; ASEAN & South Asia (ASA) includes Australia, Bangladesh, Brunei, Cambodia, India, Indonesia, Laos, Malaysia, Myanmar, Nepal, Philippines, Singapore, Sri Lanka, Thailand and Vietnam; and Africa & Middle East (AME) includes Bahrain, Egypt, Iraq, Jordan, Lebanon, Oman, Pakistan, Qatar, Saudi Arabia and the United Arab Emirates (UAE). Throughout this document unless specified the disclosures are at Group level. Throughout this document, unless another currency is specified, the word 'dollar' or symbol '\$' means United States dollar. Throughout this document IRB refers to internal ratings based models. The Group does not use the Foundation IRB approach.

1 Introduction

1.1 Purpose and basis of preparation

The Pillar 3 Disclosures comprise detailed information on the underlying drivers of risk-weighted assets (RWA), capital, leverage and liquidity ratios as at 30 June 2020 in accordance with the European Union's (EU) Capital Requirements Regulation (CRR) and the Prudential Regulation Authority's (PRA) Rulebook.

The disclosures have been prepared in line with the disclosure templates introduced by the European Banking Authority's (EBA) guidelines on disclosure requirements (EBA/GL/2016/11) published in December 2016.

The Group is also disclosing some of the templates contained within the EBA's Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07) published on 2 June 2020. Annex 1 provides a summary of these disclosures.

This report presents the Pillar 3 Disclosures of Standard Chartered PLC (the Group) as at 30 June 2020 and should be read in conjunction with the Group's Half Year Report 2020.

The information presented in this Pillar 3 report is not required to be, and has not been, subjected to external audit.

1.2 Highlights

- The Group's capital and leverage position is managed within the Board-approved risk appetite. The Group is well capitalised with low leverage and high levels of loss-absorbing capacity
- The Group is well capitalised with an end point Common Equity Tier 1 (CET1) ratio of 14.3 per cent that is well ahead of the minimum requirement of 10.0 per cent
- The Group is not highly leveraged and its leverage ratio of 5.2 per cent is well ahead of the 2020 minimum requirement of 3.6 per cent
- The Group continues to manage its balance sheet proactively, with a particular focus on the efficient management of RWA

1.3 Verification

While the 30 June 2020 Pillar 3 Disclosures are not required to be externally audited, the document has been verified internally in accordance with the Group's policies on disclosure and its financial reporting and governance processes. Controls comparable to those for the Group's Half Year Report have been applied to confirm compliance with PRA regulations.

Items excluded on the grounds of materiality are quantitative disclosures of specialised lending exposures where the simple risk-weight approach is used, non-deducted participations in insurance undertakings, composition of collateral for exposures to derivatives and securities financing transactions, off-balance sheet collateral received, effect on the RWAs of credit derivatives used as CRM techniques, and collateral obtained by taking possession and execution processes.

In relation to the approach to Interest Rate Risk in the Banking Book risk management, and the risk management of other risk types, there have been no material changes compared to the information disclosed within the Group's Pillar 3 Disclosures 2019. Please refer to the following sections in our Pillar 3 Disclosures 2019 for further detail:

- Credit risk: Section 3 on pages 27 to 28
- Traded risk: Section 4 on pages 77 to 78
- Interest rate risk in the banking book: Section 5 on page 93

1.4 Accounting and regulatory consolidation

The Pillar 3 Disclosures are prepared at the Group consolidated level. The accounting policy for financial consolidation is provided in the notes to the Group's Half Year Report 2020. All banking subsidiaries are fully consolidated for both regulatory and accounting purposes. For associates and joint ventures, the regulatory treatment may differ from the accounting policy, which applies the equity accounting method.

The regulatory consolidation approach used by the Group is consistent with the information disclosed within the Group's Pillar 3 Disclosures 2019 Regulatory Consolidation: Table 3: Regulatory Consolidation on page 5 with the exception of PT Bank Permata Tbk which was sold during Q2 2020.

1 Introduction continued

1.5 Key prudential metrics

Table 1: Key metrics for the Group (KM1)

	30.06.20 \$million	31.03.20 \$million	31.12.19 \$million	30.09.19 \$million	30.06.19 \$million
Available capital amounts¹					
Common Equity Tier 1 (CET1)	37,625	36,467	36,513	36,386	36,511
Common Equity Tier 1 (CET1) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	37,260	36,171	36,154	36,027	36,152
Tier 1	43,237	41,087	43,677	43,539	43,123
Tier 1 as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	42,872	40,791	43,318	43,180	42,764
Total capital	56,468	53,458	55,965	54,940	54,957
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	56,103	53,162	55,606	54,581	54,598
Risk-weighted assets amounts					
Total risk-weighted assets (RWA)	262,552	272,653	264,090	268,668	270,739
Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	262,659	272,760	264,220	268,798	270,869
Risk-based capital ratios as a percentage of RWA¹					
Common Equity Tier 1 ratio	14.3%	13.4%	13.8%	13.5%	13.5%
Common Equity Tier 1 ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.2%	13.3%	13.7%	13.4%	13.3%
Tier 1 ratio	16.5%	15.1%	16.5%	16.2%	15.9%
Tier 1 ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.3%	15.0%	16.4%	16.1%	15.8%
Total capital ratio	21.5%	19.6%	21.2%	20.4%	20.3%
Total capital ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.4%	19.5%	21.1%	20.3%	20.2%
Additional CET1 buffer requirements as a percentage of RWA¹					
Capital conservation buffer requirement	2.50%	2.50%	2.50%	2.50%	2.50%
Countercyclical buffer requirement	0.14%	0.15%	0.35%	0.41%	0.40%
Bank G-SIB and/or D-SIB additional requirements	1.00%	1.00%	1.00%	1.00%	1.00%
Total of bank CET1 specific buffer requirements	3.64%	3.65%	3.85%	3.91%	3.90%
CET1 available after meeting the bank's minimum capital requirements	7.96%	6.53%	7.43%	7.15%	7.40%
Total CET1 requirement ¹	10.01%	10.04%	10.24%	10.00%	10.00%
UK leverage ratio					
Total UK leverage ratio exposure measure	806,596	823,495	801,252	814,810	781,640
UK leverage ratio	5.2%	4.9%	5.2%	5.1%	5.3%
UK leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5.2%	4.8%	5.2%	5.1%	5.3%
Liquidity Coverage Ratio					
Total HQLA	152,828	150,302	151,901	150,927	149,915
Total net cash outflow	107,697	107,446	107,632	102,518	98,316
LCR ratio ²	142.0%	140.0%	141.3%	147.5%	152.9%

¹ Includes a Pillar 2A CET1 requirement of around 1.9 per cent being 56 per cent of the total Pillar 2A requirement. The Group's current Pillar 2A requirement has been set as a nominal value, at half year 2020 this represented is 3.3 per cent of RWA. This requirement will vary over time with RWA. Potential future offset to Pillar 2A requirements from changes to the countercyclical buffer in PS15/20 are not considered here

² LCR ratio represents a rolling 12-month average LCR. The spot LCR as at 30 June 2020 was 149.1 per cent

Standard Chartered applies the transitional arrangements to accounting provisions recognised after 1 January 2018 under IFRS 9, as permitted by Regulation (EU) 2017/2395 and amended by Regulation (EU) 2020/873 of the European Parliament and of the Council in response to the COVID-19 pandemic.

Under this approach, the balance of expected credit loss (ECL) provisions in excess of the regulatory defined expected loss (EL) and additional ECL on standardised portfolios, net of related tax, are phased into the CET1 capital base over five years. For the balance incurred up to 31 December 2019, the proportion phased in at each reporting period is 2020, 30 per cent; 2021, 50 per cent; and 2022, 75 per cent. From 2023 onwards there is no transitional relief. For any increase in the balance after 1 January 2020 there is full relief in 2020 and 2021, followed by a proportionate phase in at each reporting period of 2022, 25 per cent; 2023, 50 per cent; and 2024, 75 per cent. From 2025 onwards there is no transitional relief.

The application of the transitional relief results in a negligible effect on the CET1 ratio as the capital impact of ECL on the standardised portfolio, net of tax, has been largely offset. As there is no capital impact from additional provisions on advanced IRB portfolios, the related deferred tax asset continues to be recognised in full in CET1.

1 Introduction continued

Table 2 shows information about the Group's total loss-absorbing capacity (TLAC) available, and TLAC requirements, applied at the resolution group level under a Single Point of Entry resolution strategy.

Table 2: Key metrics – TLAC requirements (KM2)

	30.06.20 \$million	31.03.20 \$million	31.12.19 \$million	30.09.19 \$million	30.06.19 \$million
Resolution group					
Total loss-absorbing capacity (TLAC) available	80,472	77,585	75,649	74,359	70,856
Fully loaded ECL accounting model TLAC available	80,107	77,289	75,290	74,000	70,497
Total RWA at the level of the resolution group	262,552	272,653	264,090	268,668	270,739
TLAC as a percentage of RWA	30.7%	28.5%	28.6%	27.7%	26.2%
Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	30.5%	28.3%	28.5%	27.5%	26.0%
UK leverage ratio exposure measure at the level of the resolution group	806,596	823,495	801,252	814,810	781,640
TLAC as a percentage of UK leverage ratio exposure measure	10.0%	9.4%	9.4%	9.1%	9.1%
Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model UK leverage ratio exposure measure	10.0%	9.4%	9.4%	9.1%	9.0%
Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	Yes	Yes	Yes	Yes	Yes
Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No	No	No	No
If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with Excluded Liabilities and that is recognised as external TLAC, divided by funding issued that ranks pari passu with Excluded Liabilities and that would be recognised as external TLAC if no cap was applied (%)	N/A	N/A	N/A	N/A	N/A

2 Capital

2.1 Capital management

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

2.2 Capital resources

All capital instruments included in the capital base meet the requirements set out in the CRR for their respective tier of capital, except for those that are subject to a grandfathering period. Grandfathered capital instruments will be fully phased out of their respective tier of capital by 1 January 2022.

Table 3 below summarises the consolidated capital position of the Group.

Table 3: Reconciliation between financial total equity and regulatory CET1 before regulatory adjustments

	30.06.20 \$million	31.12.19 \$million
Total equity per balance sheet (financial view)	49,897	50,661
Regulatory adjustments	279	1,114
Total equity per balance sheet (regulatory view)	50,176	51,775
Foreseeable dividend net of scrip ¹	(163)	(871)
Other equity instruments (included in AT1)	(6,012)	(7,007)
Non-controlling interests	(151)	(431)
Common Equity Tier 1 capital before regulatory adjustments	43,850	43,466

1 Relates to AT1 foreseeable dividend

2 Capital continued

Table 4: Composition of regulatory capital (CC1)

	30.06.20	30.06.20	30.06.20	31.12.19
	Transitional position \$million	End point adjustment \$million	End point position \$million	Transitional position \$million
Common Equity Tier 1 (CET1) capital: instruments and reserves				
Capital instruments and the related share premium accounts	5,564	–	5,564	5,584
Of which: share premium accounts	3,989	–	3,989	3,989
Retained earnings ¹	25,798	–	25,798	24,044
Accumulated other comprehensive income (and other reserves)	11,431	–	11,431	11,685
Non-controlling interests (amount allowed in consolidated CET1)	170	–	170	723
Independently reviewed interim and year-end profits/(loss) ²	1,050	–	1,050	2,301
Foreseeable dividends net of scrip	(163)	–	(163)	(871)
Common Equity Tier 1 capital before regulatory adjustments	43,850	–	43,850	43,466
Common Equity Tier 1 capital: regulatory adjustments				
Additional value adjustments	(527)	–	(527)	(615)
Intangible assets	(4,938)	–	(4,938)	(5,318)
Deferred tax assets that rely on future profitability	(129)	–	(129)	(129)
Fair value reserves related to gains or losses on cashflow hedges	121	–	121	59
Negative amounts resulting from the calculation of expected loss amounts	(572)	–	(572)	(822)
Gains or losses on liabilities at fair value resulting from changes in own credit	(15)	–	(15)	(2)
Defined-benefit pension fund assets	(7)	–	(7)	(26)
Fair value gains and losses from own credit risk related to derivative liabilities	(128)	–	(128)	(38)
Exposure amounts which could qualify for risk weight of 1,250%	(30)	–	(30)	(62)
Of which: securitisation positions	(24)	–	(24)	(57)
Of which: free deliveries	(6)	–	(6)	(5)
Total regulatory adjustments to Common Equity Tier 1 capital	(6,225)	–	(6,225)	(6,953)
Common Equity Tier 1 capital	37,625	–	37,625	36,513
Additional Tier 1 (AT1) capital: instruments				
Capital instruments and the related share premium accounts	5,632	(1,114)	4,518	7,184
Of which: classified as equity under applicable accounting standards	5,477	(959)	4,518	7,007
Of which: classified as liabilities under applicable accounting standards	155	(155)	–	177
Additional Tier 1 (AT1) capital before regulatory adjustments	5,632	(1,114)	4,518	7,184
Additional Tier 1 capital: regulatory adjustments				
Direct and indirect holdings by an institution of own Additional Tier 1 (AT1) instruments and subordinated loans	(20)	–	(20)	(20)
Total regulatory adjustments to Additional Tier 1 capital	(20)	–	(20)	(20)
Additional Tier 1 capital	5,612	(1,114)	4,498	7,164
Tier 1 capital (T1 = CET1 + AT1)	43,237	(1,114)	42,123	43,677
Tier 2 (T2) capital: instruments and provisions				
Capital instruments and the related share premium accounts ³	12,256	1,736	13,992	11,726
Qualifying items and the related share premium accounts subject to phase out from T2	822	(822)	–	328
Qualifying own funds instruments included in consolidated T2 issued by subsidiaries and held by third parties	183	–	183	264
Tier 2 capital before regulatory adjustments	13,261	914	14,175	12,318
Tier 2 capital: regulatory adjustments				
Direct and indirect holdings by an institution of own Tier 2 instruments and subordinated loans	(30)	–	(30)	(30)
Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	N/A	N/A	N/A	N/A
Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	N/A	N/A	N/A	N/A
Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	N/A	N/A	N/A	N/A
Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	N/A	N/A	N/A	N/A
Total regulatory adjustments to Tier 2 capital	(30)	–	(30)	(30)
Tier 2 capital	13,231	914	14,145	12,288
Total capital (TC = T1 + T2)	56,468	(200)	56,268	55,965
Total risk-weighted assets	262,552	–	262,552	264,090

2 Capital continued

Table 4: Composition of regulatory capital (CC1) continued

	30.06.20	30.06.20	30.06.20	31.12.19
	Transitional position \$million	End point adjustment \$million	End point position \$million	Transitional position \$million
Amounts below the thresholds for deduction (before risk weighting)				
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,059	–	1,059	1,170
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	2,044	–	2,044	1,942
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	685	–	685	1,061
Applicable caps on the inclusion of provisions in Tier 2				
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	–	–	–	–
Cap on inclusion of provisions in Tier 2 under standardised approach	494	–	494	619
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–	–	–	–
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	995	–	995	973
Risk-weighted assets				
Credit risk	210,543	–	210,543	213,551
Credit valuation adjustment risk	2,593	–	2,593	2,113
Operational risk	26,800	–	26,800	27,620
Market risk	22,616	–	22,616	20,806
Total risk-weighted assets⁴	262,552	–	262,552	264,090
Capital ratios				
Common Equity Tier 1 capital	14.3%	–	14.3%	13.8%
Tier 1 capital	16.5%	(0.5)%	16.0%	16.5%
Total capital	21.5%	(0.1)%	21.4%	21.2%
Capital buffers				
Institution-specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirement, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount.)	10.01%	–	10.01%	10.24%
Of which: capital conservation buffer requirement	2.50%	–	2.50%	2.50%
Of which: countercyclical buffer requirement	0.14%	–	0.14%	0.35%
Of which systemic risk buffer requirement	–	–	–	–
Of which: Global systemically important institution (G-SII) or Other systemically important institution (O-SII) buffer	1.00%	–	1.00%	1.00%
Common Equity Tier 1 available to meet buffers (as percentage of risk exposure amount)	7.96%	–	7.96%	7.44%

1 Retained earnings under CRD IV include the effect of regulatory consolidation adjustments

2 Independently reviewed interim and year-end profits are in accordance with regulatory consolidation rules

3 End point Tier 2 capital includes ineligible Additional Tier 1 capital subject to grandfathering including any excess over AT1 limit

4 The risk-weighted assets are not subject to audit

The main movements in capital in the period were:

- The CET1 ratio increased from 13.8 per cent to 14.3 per cent as profits, distribution restrictions and the sale of Permata offset the COVID-19 related increase in RWA
- CET1 capital increased by \$1.1 billion, as retained profits of \$1 billion and the reduction in dividends paid and foreseen of \$0.5 billion, was offset by foreign exchange of \$0.5 billion and the partly completed share buy-back of \$0.2 billion
- AT1 decreased to \$5.6 billion as the call of \$2 billion of existing 6.5 per cent AT1 securities and the ongoing derecognition of legacy Tier 1 capital was partly offset by the issuance of \$1 billion of new 6.0 per cent AT1 securities, increasing the efficiency of the Group's AT1 stock
- Tier 2 capital was \$0.9 billion higher at \$13.2 billion as EUR 1 billion of new issuance and the recognition of ineligible AT1 was partly offset by redemptions

2 Capital continued

Table 5: Reconciliation of regulatory capital to balance sheet (CC2)

	30.06.20		31.12.19	
	Balance sheet as in published financial statements \$million	Under regulatory scope of consolidation \$million	Balance sheet as in published financial statements \$million	Under regulatory scope of consolidation \$million
Assets				
Cash and balances at central banks	52,925	52,939	52,728	53,477
Financial assets designated at fair value	98,359	98,358	92,818	92,981
Derivative financial instruments	52,227	52,227	47,212	47,228
Loans and advances to banks	50,499	50,499	53,549	54,806
Loans and advances to customers	276,313	276,313	268,550	276,164
Investment securities	145,734	145,733	143,731	144,674
Other assets	46,925	46,917	42,022	42,430
Current tax assets	737	737	539	539
Prepayments and accrued income	2,354	2,352	2,700	2,771
Investments in associates and joint ventures	2,000	1,983	1,908	1,908
Goodwill and intangible assets	5,029	5,039	5,290	5,427
Of which: goodwill	2,789	2,789	3,079	3,198
Of which: other intangibles (excluding MSRs)	2,240	2,250	2,211	2,229
Of which: MSRs	–	–	–	–
Property, plant and equipment	6,747	6,747	6,220	6,258
Deferred tax assets	822	822	1,105	1,223
Assets classified as held for sale	914	914	2,053	1,195
Total assets	741,585	741,580	720,388	731,056
Liabilities				
Deposits from banks	28,986	28,986	28,562	28,754
Customer accounts	421,153	421,153	405,356	414,242
Repurchase agreements and other similar secured borrowing	2,811	2,811	1,935	2,276
Financial liabilities designated at fair value through profit or loss	64,383	64,384	66,974	66,974
Derivative financial instruments	50,826	50,826	48,484	48,490
Debt securities in issue	51,086	51,086	53,026	53,026
Other liabilities	49,251	49,407	41,591	41,511
Current tax liabilities	607	607	703	700
Accruals and deferred income	4,129	4,052	5,369	5,414
Subordinated liabilities	16,826	16,826	16,207	16,313
Of which: considered as Additional Tier 1 capital	242	242	258	260
Of which: considered as Tier 2 capital	16,584	16,584	15,948	16,053
Deferred tax liabilities	655	655	611	651
Of which: DTLs related to goodwill	626	626	571	609
Of which: DTLs related to intangible assets (excluding MSRs)	29	29	40	42
Of which: DTLs related to MSRs	–	–	–	–
Provisions for liabilities and charges	432	433	450	450
Retirement benefit obligation	543	543	469	480
Total liabilities	691,688	691,769	669,737	679,281
Shareholders' equity				
Share capital and share premium account	7,058	7,058	7,082	7,082
Of which: amount eligible for CET1	2,541	2,541	1,567	1,570
Of which: amount eligible for AT1	4,517	4,517	5,512	5,512
Other reserves	11,578	11,578	11,685	11,685
Retained earnings	26,422	26,337	26,070	25,984
Other equity instruments	4,518	4,517	5,512	5,871
Non-controlling interest	321	321	313	1,154
Total equity	49,897	49,811	50,661	51,775
Total equity and liabilities	741,585	741,580	720,398	731,056

2 Capital continued

2.3 Minimum requirement for own funds and eligible liabilities

From 1 January 2019, a requirement for total loss-absorbing capacity (TLAC) was introduced, as defined in the final standards adopted by the Financial Stability Board (FSB). In the EU, TLAC requirements were implemented by the Capital Requirements Regulation II (CRR II) which was published in the Official Journal of the European Union on 7 June 2019 and came into effect on 27 June 2019. It included a new framework on the minimum requirement for own funds and eligible liabilities (MREL).

MREL is intended to ensure that there is sufficient equity and specific types of liabilities to facilitate an orderly resolution that minimises any impact on financial stability and ensures the continuity of critical functions and avoids exposing taxpayers to loss. The new framework is complemented with new disclosure requirements. As the specific EU format for disclosure is yet to be agreed, the disclosures are based on the formats provided in the Basel Committee Standards for Pillar 3 Phase 2 disclosure requirements.

The Group's fully phased minimum requirement for own funds and eligible liabilities (MREL) is 22.7 per cent of RWA from 1 January 2022 based on RWA and leverage exposure at half year 2020. The Group's usable CET1 buffer is additive to the minimum requirement, resulting in a total MREL requirement of 26.3 per cent based on RWA and leverage exposure at half year 2020 from 1 January 2022. As at 30 June 2020, the Group's MREL position was 30.7 per cent of RWA and 10.0 per cent of leverage exposure.

Details of the Group's MREL eligible instruments are set out in the Standard Chartered PLC Main Features of Capital Instruments document available on the Group's website at www.sc.com/en/investors/credit-ratings-fixed-income/#capitalsecurities.

Table 6 shows details of the composition of the Groups MREL.

Table 6: TLAC composition for G-SIBs (TLAC1)

	30.06.20 \$million	31.12.19 \$million
Regulatory capital elements of TLAC and adjustments		
Common Equity Tier 1 capital (CET1)	37,625	36,513
Additional Tier 1 capital (AT1) before TLAC adjustments	5,612	7,164
AT1 ineligible as TLAC as issued out of subsidiaries to third parties	–	–
Other adjustments	–	–
AT1 instruments eligible under the TLAC framework	5,612	7,164
Tier 2 capital (T2) before TLAC adjustments	13,231	12,288
Amortised portion of T2 instruments where remaining maturity > 1 year	2,462	1,922
T2 capital ineligible as TLAC as issued out of subsidiaries to third parties	–	–
Other adjustments	–	(72)
T2 instruments eligible under the TLAC framework	15,693	14,139
TLAC arising from regulatory capital	58,930	57,839
Non-regulatory capital elements of TLAC		
External TLAC instruments issued directly by the bank and subordinated to excluded liabilities	–	–
External TLAC instruments issued directly by the bank which are not subordinated to excluded liabilities but meet all other TLAC term sheet requirements	21,544	17,837
Of which: amount eligible as TLAC after application of the caps	21,544	17,837
External TLAC instruments issued by funding vehicles prior to 1 January 2022	–	–
Eligible ex ante commitments to recapitalise a G-SIB in resolution	–	–
TLAC arising from non-regulatory capital instruments before adjustments	21,544	17,837
Non-regulatory capital elements of TLAC: adjustments		
TLAC before deductions	80,474	75,652
Deductions of exposures between MPE resolution groups that correspond to items eligible for TLAC (not applicable to SPE G-SIBs)	–	–
Deduction of investments in own other TLAC liabilities	(2)	(3)
Other adjustments to TLAC	–	–
TLAC after deductions	80,472	75,649
Risk-weighted assets and leverage exposure measure for TLAC purposes		
Total risk-weighted assets adjusted as permitted under the TLAC regime	262,552	264,090
Leverage exposure measure	806,596	801,261
TLAC ratios and buffers		
TLAC (as a percentage of risk-weighted assets adjusted as permitted under the TLAC regime)	30.7%	28.6%
TLAC (as a percentage of leverage exposure)	10.0%	9.4%
CET1 (as a percentage of risk-weighted assets) available after meeting the resolution group's minimum capital and TLAC requirements	8.0%	7.4%
Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	3.6%	3.9%
Of which: capital conservation buffer requirement	2.5%	2.5%
Of which: bank-specific countercyclical buffer requirement	0.1%	0.4%
Of which: higher loss absorbency requirement	1.0%	1.0%

2 Capital continued

Table 7 shows information regarding the ranking of the Group's liabilities at the resolution group level.

Table 7: Resolution entity – creditor ranking for Standard Chartered PLC (TLAC3)

Description of creditor ranking	30.06.20			Total \$million
	Creditor ranking			
	1 \$million	2 \$million	3 \$million	
	Tertiary non- preferential debt²	Tertiary non- preferential debt – Tier 2 securities	Ordinary non- preferential debt³	
Total capital and liabilities net of credit risk mitigation ¹	6,263	15,778	28,718	50,759
Of which: are excluded liabilities	–	–	(885)	(885)
Total capital and liabilities less excluded liabilities	6,263	15,778	27,833	49,874
Of which: are potentially eligible as TLAC	6,263	15,778	20,770	42,810
Of which: with 1 year ≤ residual maturity < 2 years	–	1,002	439	1,441
Of which: with 2 years ≤ residual maturity < 5 years	–	4,694	10,834	15,527
Of which: with 5 years ≤ residual maturity < 10 years	–	4,245	5,525	9,770
Of which: with residual maturity ≥ 10 years, but excluding perpetual securities	–	5,663	3,972	9,634
Of which: is perpetual securities	6,263	175	–	6,438

Description of creditor ranking	31.12.19			Total \$million
	Creditor ranking			
	1 \$million	2 \$million	3 \$million	
	Tertiary non- preferential debt ²	Tertiary non- preferential debt – Tier 2 securities	Ordinary non- preferential debt ³	
Total capital and liabilities net of credit risk mitigation ¹	7,279	14,401	21,220	42,900
Of which: are excluded liabilities	–	–	(738)	(738)
Total capital and liabilities less excluded liabilities	7,279	14,401	20,482	42,162
Of which: are potentially eligible as TLAC	7,279	14,401	17,869	39,549
Of which: with 1 year ≤ residual maturity < 2 years	–	–	2,794	2,794
Of which: with 2 years ≤ residual maturity < 5 years	–	5,549	7,865	13,414
Of which: with 5 years ≤ residual maturity < 10 years	–	3,160	5,303	8,463
Of which: with residual maturity ≥ 10 years, but excluding perpetual securities	–	5,515	1,906	7,421
Of which: is perpetual securities	7,279	177	–	7,456

1 Excludes CET1 and is based on accounting values

2 AT1 preference shares and Contingent Convertible Capital Instruments

3 Senior bonds, derivative liabilities, tax claims, etc.

TLAC 2 is a G-SII disclosure requirement to provide the ranking of the liability structure of all of the Group's material sub-groups as defined by the FSB TLAC Term Sheet. The Group has five material sub-groups: Standard Chartered Bank, Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Bank Korea Limited, Standard Chartered Bank (China) Limited, and Standard Chartered Bank (Singapore) Limited for which disclosure would be required.

2 Capital continued

The following tables show the nominal values of capital and liabilities and the position in the creditor hierarchy for these material sub-groups.

Table 8: Standard Chartered Bank – creditor ranking (TLAC2)

	30.06.20					Total \$million
	Creditor ranking					
	1 \$million	2 \$million	2 \$million	3 \$million	4 \$million	
Is the resolution entity the creditor/investor?	No ¹	Yes	No	Yes	Yes	
Description of creditor ranking	Tertiary non-preferential debt – common shares	Tertiary non-preferential debt – AT1 cocos	Tertiary non-preferential debt – Tier 2 securities	Tertiary non-preferential debt – Tier 2 securities	Secondary non-preferential debt	
Total capital and liabilities net of credit risk mitigation ²	19,024	6,500	1,844	14,176	2,937	44,480
Of which: are excluded liabilities	–	–	–	–	–	–
Total capital and liabilities less excluded liabilities	19,024	6,500	1,844	14,176	2,937	44,480
Of which: are potentially eligible as TLAC	19,024	6,500	1,844	14,176	2,937	44,480
Of which: with 1 year ≤ residual maturity < 2 years	–	–	–	–	–	–
Of which: with 2 years ≤ residual maturity < 5 years	–	–	–	2,960	1,918	4,878
Of which: with 5 years ≤ residual maturity < 10 years	–	–	1,134	3,698	1,019	5,851
Of which: with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	291	7,340	–	7,631
Of which: is perpetual securities	19,024	6,500	418	179	–	26,120

	31.12.19					Total \$million
	Creditor ranking					
	1 \$million	2 \$million	2 \$million	3 \$million	4 \$million	
Is the resolution entity the creditor/investor?	No ¹	Yes	No	Yes	Yes	
Description of creditor ranking	Tertiary non-preferential debt – common shares	Tertiary non-preferential debt – AT1 cocos	Tertiary non-preferential debt – Tier 2 securities	Tertiary non-preferential debt – Tier 2 securities	Secondary non-preferential debt ³	
Total capital and liabilities net of credit risk mitigation ²	19,024	6,500	709	12,337	2,102	40,671
Of which: are excluded liabilities	–	–	–	–	–	–
Total capital and liabilities less excluded liabilities	19,024	6,500	709	12,337	2,102	40,671
Of which: are potentially eligible as TLAC	19,024	6,500	709	12,337	2,102	40,671
Of which: with 1 year ≤ residual maturity < 2 years	–	–	–	–	–	–
Of which: with 2 years ≤ residual maturity < 5 years	–	–	–	2,960	2,102	5,062
Of which: with 5 years ≤ residual maturity < 10 years	–	–	–	2,698	–	2,698
Of which: with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	291	6,500	–	6,791
Of which: is perpetual securities	19,024	6,500	418	179	–	26,120

1 Held by Standard Chartered Holdings Limited

2 Excludes CET1 (except common shares) and is based on accounting carrying values

3 2019 has been restated to include secondary non-preferential debt

2 Capital continued

Table 9: Standard Chartered Bank (Hong Kong) Limited – creditor ranking (TLAC2)

30.06.20							
Description of creditor ranking	Creditor ranking						Total \$million
	1 \$million	2 \$million	2 \$million	3 \$million	3 \$million	4 \$million	
Is the resolution entity the creditor/investor?	Yes	No ¹	Yes	No	Yes	Yes	
Description of creditor ranking	Common shares	Securities and preference shares qualifying as AT1	Securities and preference shares qualifying as AT1	Dated subordinated notes qualifying as Tier 2	Dated subordinated notes qualifying as Tier 2	Loss absorbing non-preferred notes	
Total capital and liabilities net of credit risk mitigation ²	7,890	500	2,159	–	1,500	2,539	14,589
Of which: are excluded liabilities	–	–	–	–	–	–	–
Total capital and liabilities less excluded liabilities	7,890	500	2,159	–	1,500	2,539	14,589
Of which: are potentially eligible as TLAC	7,890	500	2,159	–	1,500	2,539	14,589
Of which: with 1 year ≤ residual maturity < 2 years	–	–	–	–	–	1,600	1,600
Of which: with 2 years ≤ residual maturity < 5 years	–	–	–	–	–	939	939
Of which: with 5 years ≤ residual maturity < 10 years	–	–	–	–	1,250	–	1,250
Of which: with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	–	–	250	–	250
Of which: is perpetual securities	7,890	500	2,159	–	–	–	10,550

31.12.19							
Description of creditor ranking	Creditor ranking						Total \$million
	1 \$million	2 \$million	2 \$million	3 \$million	3 \$million	4 \$million	
Is the resolution entity the creditor/investor?	Yes	No ¹	Yes	No	Yes	Yes	
Description of creditor ranking	Common shares	Securities and preference shares qualifying as AT1	Securities and preference shares qualifying as AT1	Dated subordinated notes qualifying as Tier 2	Dated subordinated notes qualifying as Tier 2	Loss absorbing non-preferred notes	
Total capital and liabilities net of credit risk mitigation ²	7,851	498	1,153	754	1,499	2,399	14,154
Of which: are excluded liabilities	–	–	–	–	–	–	–
Total capital and liabilities less excluded liabilities	7,851	498	1,153	754	1,499	2,399	14,154
Of which: are potentially eligible as TLAC	7,851	–	1,153	–	1,499	2,399	12,902
Of which: with 1 year ≤ residual maturity < 2 years	–	–	–	–	–	–	–
Of which: with 2 years ≤ residual maturity < 5 years	–	–	–	–	–	2,399	2,399
Of which: with 5 years ≤ residual maturity < 10 years	–	–	–	–	1,249	–	1,249
Of which: with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	–	–	250	–	250
Of which: is perpetual securities	7,851	–	1,153	–	–	–	9,004

1 Held by Standard Chartered Bank

2 Excludes CET1 (except common shares) and is based on accounting carrying values

2 Capital continued

Table 10: Standard Chartered Bank Korea Limited – creditor ranking (TLAC2)

Is the resolution entity the creditor/investor? Description of creditor ranking	30.06.20		
	Creditor ranking		Total \$million
	1 \$million	2 \$million	
	No ¹	No ²	
	Common shares	Tier 2 securities	
Total capital and liabilities net of credit risk mitigation ³	1,302	499	1,801
Of which: are excluded liabilities	–	–	–
Total capital and liabilities less excluded liabilities	1,302	499	1,801
Of which: are potentially eligible as TLAC	1,302	499	1,801
Of which: with 1 year ≤ residual maturity < 2 years	–	–	–
Of which: with 2 years ≤ residual maturity < 5 years	–	–	–
Of which: with 5 years ≤ residual maturity < 10 years	–	499	499
Of which: with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	–
Of which: is perpetual securities	1,302	–	1,302

Is the resolution entity the creditor/investor? Description of creditor ranking	31.12.19		
	Creditor ranking		Total \$million
	1 \$million	2 \$million	
	No ¹	No ²	
	Common shares	Tier 2 securities	
Total capital and liabilities net of credit risk mitigation ³	1,302	519	1,821
Of which: are excluded liabilities	–	–	–
Total capital and liabilities less excluded liabilities	1,302	519	1,821
Of which: are potentially eligible as TLAC	1,302	519	1,821
Of which: with 1 year ≤ residual maturity < 2 years	–	–	–
Of which: with 2 years ≤ residual maturity < 5 years	–	519	519
Of which: with 5 years ≤ residual maturity < 10 years	–	–	–
Of which: with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	–
Of which: is perpetual securities	1,302	–	1,302

1 Held by Standard Chartered NEA Limited

2 Held by Standard Chartered Bank

3 Excludes CET1 (except common shares) and is based on accounting carrying values

2 Capital continued

Table 11: Standard Chartered Bank (Singapore) Limited – creditor ranking (TLAC2)

30.06.20					
	Creditor ranking				Total \$million
	1 \$million	2 \$million	2 \$million	3 \$million	
Is the resolution entity the creditor/investor?	No ¹	Yes	No ²	Yes	
Description of creditor ranking	Common shares	AT1 non- cumulative preference shares	AT1 non- cumulative preference shares	Tier 2 subordinated notes	
Total capital and liabilities net of credit risk mitigation ³	3,963	1,057	215	521	5,757
Of which: are excluded liabilities	–	–	–	–	–
Total capital and liabilities less excluded liabilities	3,963	1,057	215	521	5,757
Of which: are potentially eligible as TLAC	3,963	1,057	215	521	5,757
Of which: with 1 year ≤ residual maturity < 2 years	–	–	–	–	–
Of which: with 2 years ≤ residual maturity < 5 years	–	–	–	–	–
Of which: with 5 years ≤ residual maturity < 10 years	–	–	–	521	521
Of which: with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	–	–	–
Of which: is perpetual securities	3,963	1,057	215	–	5,236

31.12.19					
	Creditor ranking				Total \$million
	1 \$million	2 \$million	2 \$million	3 \$million	
Is the resolution entity the creditor/investor?	No ¹	Yes	No ²	Yes	
Description of creditor ranking	Common shares	AT1 Non- cumulative preference shares	AT1 non- cumulative preference shares	Tier 2 subordinated notes	
Total capital and liabilities net of credit risk mitigation ³	3,963	1,057	223	540	5,783
Of which: are excluded liabilities	–	–	–	–	–
Total capital and liabilities less excluded liabilities	3,963	1,057	223	540	5,783
Of which: are potentially eligible as TLAC	3,963	1,057	223	540	5,783
Of which: with 1 year ≤ residual maturity < 2 years	–	–	–	–	–
Of which: with 2 years ≤ residual maturity < 5 years	–	–	–	–	–
Of which: with 5 years ≤ residual maturity < 10 years	–	–	–	–	–
Of which: with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	–	540	540
Of which: is perpetual securities	3,963	1,057	223	–	5,243

1 Held by Standard Chartered Holdings (Singapore) Private Limited

2 Held by Standard Chartered Bank

3 Excludes CET1 (except common shares) and is based on accounting carrying values

2 Capital continued

Table 12: Standard Chartered Bank (China) Limited – creditor ranking (TLAC2)

	30.06.20	
	Creditor ranking	
	1 \$million	Total \$million
Is the resolution entity the creditor/investor?	No ¹	
Description of creditor ranking	Common shares	
Total capital and liabilities net of credit risk mitigation ²	1,446	1,446
Of which: are excluded liabilities	–	–
Total capital and liabilities less excluded liabilities	1,446	1,446
Of which: are potentially eligible as TLAC	1,446	1,446
Of which: with 1 year ≤ residual maturity < 2 years	–	–
Of which: with 2 years ≤ residual maturity < 5 years	–	–
Of which: with 5 years ≤ residual maturity < 10 years	–	–
Of which: with residual maturity ≥ 10 years, but excluding perpetual securities	–	–
Of which: is perpetual securities	1,446	1,446
	31.12.19	
	Creditor ranking	
	1 \$million	Total \$million
Is the resolution entity the creditor/investor?	No ¹	
Description of creditor ranking	Common shares	
Total capital and liabilities net of credit risk mitigation ²	1,446	1,446
Of which: are excluded liabilities	–	–
Total capital and liabilities less excluded liabilities	1,446	1,446
Of which: are potentially eligible as TLAC	1,446	1,446
Of which: with 1 year ≤ residual maturity < 2 years	–	–
Of which: with 2 years ≤ residual maturity < 5 years	–	–
Of which: with 5 years ≤ residual maturity < 10 years	–	–
Of which: with residual maturity ≥ 10 years, but excluding perpetual securities	–	–
Of which: is perpetual securities	1,446	1,446

1 Held by Standard Chartered Bank (Hong Kong) Limited

2 Excludes CET1 (except common shares) and is based on accounting carrying values

2.4 Capital requirements

Pillar 1 and Pillar 2A CET1 requirements and the Combined Buffer requirement together represent the Group's Maximum Distributable Amount threshold. The Group will be subject to restrictions on discretionary distributions if the CET1 ratio falls below this threshold. The Group expects to continue to operate with a prudent management buffer above this threshold.

Over time, the Group may also be subject to a PRA buffer. The PRA buffer is intended to ensure the Group remains well capitalised during periods of stress. When setting the Group's PRA buffer, it is understood that the PRA considers results from the Bank of England (BoE) stress test, the biennial exploratory scenario, and bank-specific scenarios undertaken as part of Internal Capital Adequacy Assessment Processes (ICAAPs), as well as other relevant information. The PRA buffer is additional to the existing CRD IV buffer requirements, and is applied if and to the extent that the PRA considers the existing CRD IV buffers do not adequately address the Group's risk profile. The PRA buffer is not disclosed.

The table below presents the Group's RWA and capital requirements (calculated as 8 per cent of RWA).

Further information on credit RWAs can be found in Table 30 for credit risk exposures under IRB (which include counterparty credit risk); Table 15 for the RWA flow statements for credit risk exposures under IRB (which includes securitisation balances below); Table 42 for exposures under the SA (which include amounts below the threshold for deduction) and section 4.2 for exposures subject to counterparty credit risk.

2 Capital continued

Table 13: Overview of RWA (OV1)

	30.06.20		31.03.20		31.12.19	
	Risk-weighted assets \$million	Regulatory capital requirement ¹ \$million	Risk-weighted assets \$million	Regulatory capital requirement ¹ \$million	Risk-weighted assets \$million	Regulatory capital requirement ¹ \$million
1 Credit risk (excluding counterparty credit risk)²	181,569	14,526	189,415	15,153	188,759	15,101
4 Of which advanced IRB approach (Table 30)	149,555	11,964	149,528	11,962	147,365	11,789
2 Of which standardised approach (Table 42)	32,014	2,561	39,887	3,191	41,394	3,312
6 Counterparty credit risk³	19,633	1,571	21,726	1,738	15,405	1,232
7 Of which mark-to-market method	4,510	361	5,193	415	3,075	246
10 Of which internal model method (IMM)	10,428	834	11,162	893	8,032	643
Of which securities financing transactions	1,914	144	2,427	194	2,018	144
11 Of which risk exposure amount for contributions to the default fund of a CCP	189	15	231	18	167	13
12 Of which CVA (Table 55)	2,593	207	2,713	221	2,113	169
13 Settlement risk	–	–	40	3	1	–
14 Securitisation exposures in the banking book	5,113	409	4,861	389	3,992	319
15 Of which IRB ratings based approach	1,801	144	1,768	141	2,727	218
16 Of which IRB supervisory formula approach	3,312	265	3,093	247	1,265	101
18 Of which standardised approach	–	–	–	–	–	–
19 Market risk (Table 45)	22,616	1,809	21,847	1,748	20,806	1,664
21 Of which internal model approaches	13,567	1,085	12,054	964	11,364	909
20 Of which standardised approach	9,049	724	9,793	783	9,442	755
22 Large exposures	–	–	–	–	–	–
23 Operational risk⁴	26,800	2,144	27,803	2,224	27,620	2,210
25 Of which standardised approach	26,800	2,144	27,803	2,224	27,620	2,210
27 Amounts below the thresholds for deduction (subject to 250% risk weight) (Table 42)	6,821	546	6,961	557	7,507	601
28 Floor Adjustment	–	–	–	–	–	–
29 Total	262,552	21,004	272,653	21,812	264,090	21,127

1 The regulatory capital requirement is calculated as 8 per cent of the risk-weighted assets, and represents the minimum total capital ratio in accordance with CRR Article 92 (1)

2 Credit risk (excluding counterparty credit risk) includes non-credit obligation assets

3 Counterparty credit risk includes assets which are assessed under IRB and standardised approaches

4 To calculate operational risk standardised risk-weighted assets, a regulatory defined beta co-efficient is applied to average gross income for the previous three years, across each of the eight business lines prescribed in the CRR

RWA decreased by \$1.5 billion from 31 December 2019 to \$262.6 billion. This was due to decreases in credit risk (including counterparty credit risk) RWA of \$2.5 billion and operational risk RWA of \$0.8 billion. These were partially offset by an increase in market risk RWA of \$1.8 billion.

- Credit risk including counterparty credit risk decreased to \$213.1 billion. The decrease was driven by:
 - \$7.9 billion decrease due to the sale of the Group's principal joint venture investment, PT Bank Permata Tbk
 - \$3.6 billion decrease from foreign currency translation
 - \$7.0 billion increase due to net credit migration, principally in ASEAN & South Asia and Europe & Americas
 - \$1.0 billion increase in model, methodology and policy changes, primarily relating to the Revised Securitisation Framework
 - \$0.7 billion net increase driven by asset balance growth in Corporate & Institutional Banking and the Treasury Markets liquidity portfolio, partially offset by decreases in Commercial Banking and Private Banking
 - \$0.2 billion increase due to RWA efficiencies relating to an initiative in Transaction Banking
- Operational risk RWA decreased \$0.8 billion mainly due to the sale of our shareholding in the Group's principal joint venture investment, PT Bank Permata Tbk. This represents a 3 per cent year-on-year reduction in operational risk RWA
- Market risk RWA increased to \$22.6 billion. This change was due mainly to IMA RWA changes in positions and increased volatility, partly offset by the new IMA Rniv temporary mitigant for backtesting exceptions

2 Capital continued

Table 14 shows the significant drivers of credit risk, market risk and operational risk RWA movements from 1 January 2020.

Table 14: Movement analysis for RWA

	Credit risk IRB \$million	Credit risk SA \$million	Credit risk Total \$million	Counterparty credit risk \$million	Total credit & counterparty credit risk \$million	Operational risk \$million	Market risk \$million	Total \$million
As at 1 January 2020	151,357	48,902	200,259	15,405	215,664	27,620	20,806	264,090
Asset size	3,573	(770)	2,803	6,281	9,084	–	–	9,084
Asset quality	1,673	–	1,673	346	2,019	–	–	2,019
Model updates	304	–	304	–	304	–	–	304
Methodology and policy	667	–	667	–	667	–	(1,200)	(533)
Acquisitions and disposals	–	–	–	–	–	–	–	–
Foreign exchange movements	(3,399)	(1,244)	(4,643)	(306)	(4,949)	–	–	(4,949)
Other, including non-credit risk movements ¹	214	–	214	–	214	183	2,241	2,638
As at 31 March 2020	154,389	46,888	201,277	21,726	223,003	27,803	21,847	272,653
Asset size	(4,789)	(673)	(5,462)	(2,880)	(8,342)	–	–	(8,342)
Asset quality	4,267	–	4,267	679	4,946	–	–	4,946
Model updates	(6)	–	(6)	–	(6)	–	–	(6)
Methodology and policy	–	–	–	–	–	–	(200)	(200)
Acquisitions and disposals	–	(7,859)	(7,859)	–	(7,859)	(1,003)	(159)	(9,021)
Foreign exchange movements	794	479	1,273	108	1,381	–	–	1,381
Other, including non-credit risk movements ¹	13	–	13	–	13	–	1,128	1,141
As at 30 June 2020²	154,668	38,835	193,503	19,633	213,136	26,800	22,616	262,552

¹ RWA efficiencies are disclosed against 'Other, including non-credit risk movements'

² See Table 13: Overview of RWA (OV1). To note that 'Securitisation', 'Settlement risk' and 'Amounts below the threshold for deduction (subject to 250% risk-weight)' are included in credit risk

Table 15 shows the significant drivers of credit risk, IRB RWA movements (excluding counterparty credit risk and standardised credit risk) from 1 January 2020.

Table 15: RWA flow statements of credit risk exposures under IRB (CR8)

	Risk-weighted assets ¹ \$million	Regulatory capital requirement ¹ \$million
As at 1 January 2020	151,357	12,109
Asset size	3,573	286
Asset quality	1,673	134
Model updates	304	24
Methodology and policy	667	53
Acquisitions and disposals	–	–
Foreign exchange movements	(3,399)	(272)
Other ²	214	17
1 As at 31 March 2020	154,389	12,351
2 Asset size	(4,789)	(383)
3 Asset quality	4,267	341
4 Model updates	(6)	–
5 Methodology and policy	–	–
6 Acquisitions and disposals	–	–
7 Foreign exchange movements	794	64
8 Other ²	13	1
9 As at 30 June 2020³	154,668	12,373

¹ Includes securitisation and non-credit obligation assets, but excludes counterparty credit risk

² RWA efficiencies are disclosed against 'Other'

³ See Table 13: Overview of RWA (OV1). Comprises advanced IRB credit risk \$149,555 million and securitisation of \$5,113 million

IRB credit RWAs increased by \$3.1 billion from 1 January 2020, driven by:

- \$5.9 billion increase due to net credit migration, principally in ASEAN & South Asia and Europe & Americas
- \$1.0 billion increase in model, methodology and policy changes, primarily relating to the Revised Securitisation Framework
- \$2.6 billion decrease from foreign currency translation
- \$1.2 billion decrease driven by asset balance decline across multiple business areas

2 Capital continued

Table 16 shows the significant drivers of credit counterparty risk under IMM RWA movements from 1 January 2020.

Table 16: RWA flow statements of CCR exposures under the IMM (CCR7)

	Risk-weighted assets \$million	Regulatory capital requirement \$million
As at 1 January 2020	8,032	643
Asset size	3,309	265
Asset quality	54	4
Model updates	-	-
Methodology and policy	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	(233)	(19)
Other ¹	-	-
1 As at 31 March 2020	11,162	893
2 Asset size	(1,503)	(120)
3 Asset quality	671	54
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	98	8
8 Other ¹	-	-
9 As at 30 June 2020	10,428	834

1 RWA efficiencies are disclosed against 'Other'

Table 17 shows the RWA flow statements of market risk RWA exposures under the Internal Model Approach (IMA) from 1 January 2020.

Table 17: RWA flow of market risk exposures under an IMA approach (MR2-B)

	VaR \$million	SVaR \$million	IRC \$million	CRM \$million	Other ¹ \$million	Total RWA \$million	Total capital requirement \$million
At 1 January 2020	1,786	6,226	-	-	3,352	11,364	909
Regulatory adjustment	-	-	-	-	-	-	-
RWAs post adjustment at 1 January 2020	1,786	6,226	-	-	3,352	11,364	909
Movement in risk levels	-	-	-	-	-	-	-
Model updates/changes	-	-	-	-	-	-	-
Methodology and policy	300	700	-	-	(2,200)	(1,200)	(96)
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-	-
Other	1,128	1,056	-	-	(294)	1,890	151
1 At 31 March 2020	3,214	7,982	-	-	858	12,054	964
1a Regulatory adjustment	-	-	-	-	-	-	-
1b RWAs post adjustment at 31 March 2020	3,214	7,982	-	-	858	12,054	964
2 Movement in risk levels	-	-	-	-	-	-	-
3 Model updates/changes	-	-	-	-	-	-	-
4 Methodology and policy	300	(1,300)	-	-	800	(200)	(16)
5 Acquisitions and disposals	-	-	-	-	-	-	-
6 Foreign exchange movements	-	-	-	-	-	-	-
7 Other	837	(588)	-	-	1,465	1,713	137
8a At 30 June 2020	-	-	-	-	-	-	-
8b Regulatory adjustment	-	-	-	-	-	-	-
8 RWAs post adjustment at 30 June 2020	4,351	6,094	-	-	3,123	13,567	1,085

1 Other IMA capital add-ons for market risks not fully captured in either VaR or SVaR. More details on Risks not in VaR can be found in the Group's Half Year Report 2020 on page 87

Market risk RWAs under an IMA increased by \$2.2 billion from 1 January 2020, mainly driven by a \$2.6 billion increase in VaR RWAs reflecting increased market volatility.

2 Capital continued

2.5 Leverage ratio

UK banks are currently subject to a minimum leverage ratio of 3.25 per cent. In addition, a supplementary leverage ratio buffer is applicable, set at 35 per cent of the corresponding G-SII capital buffer and the countercyclical capital buffer. These buffers are applied to individual banks and are phased in.

Following the FPC's recommendation to the PRA to exclude qualifying claims on central bank exposures from the leverage exposure measure in the UK leverage ratio framework, and the corresponding waiver granted by the PRA, the Group has been reporting the leverage ratio on a UK basis (excluding qualifying claims on central banks exposures) from March 2017.

At 30 June 2020, the Group's current minimum requirement inclusive of leverage buffers was 3.6 per cent:

- (i) The minimum 3.25 per cent
- (ii) A 0.35 per cent G-SII leverage ratio buffer and
- (iii) A 0.05 per cent countercyclical capital leverage ratio buffer, based on half year 2020 countercyclical capital buffer rates

The Group's current UK leverage ratio of 5.2 per cent is well above the current minimum requirement. The UK leverage ratio was flat in the period following a small increase in end point Tier 1 (as profits and £1 billion of new AT1 offset a \$2 billion AT1 call) and a small increase in the exposure measure (as increased benefit from regulatory consolidation adjustments mainly due to the sale of Permata partly offset growth in on-balance sheet assets).

Table 18: UK and CRR leverage ratio

	30.06.20 \$million	31.03.20 \$million	31.12.19 \$million
Tier 1 capital (end point)	42,123	39,973	42,006
UK leverage exposure	806,596	823,495	801,252
UK leverage ratio	5.2%	4.9%	5.2%
CRR leverage exposure	853,861	875,016	843,395
CRR leverage ratio	4.9%	4.6%	5.0%
UK leverage exposure quarterly average	810,591	829,542	816,244
UK leverage ratio quarterly average	5.0%	4.9%	5.1%
Countercyclical leverage ratio buffer	0.0%	0.1%	0.1%
G-SII additional leverage ratio buffer	0.4%	0.4%	0.4%

CRR leverage ratio

Tables 19, 20 and 21 present the leverage ratio based on CRR basis requirements.

Table 19: Summary reconciliation of accounting assets and leverage exposure

	30.06.20 \$million	31.12.19 \$million
1 Total assets as per published financial statements	741,585	720,398
2 Adjustment difference between the accounting scope of consolidation and the regulatory scope of consolidation	(6)	10,658
4 Adjustments for derivative financial instruments	(8,844)	(10,094)
5 Adjustments for securities financing transactions (SFTs)	6,414	7,005
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	120,725	122,341
7 Other adjustments	(6,013)	(6,913)
8 Total leverage ratio exposure	853,861	843,395

2 Capital continued

Table 20: Leverage ratio common disclosure

	30.06.20 \$million	31.12.19 \$million
On-balance sheet exposures (excluding derivatives and SFTs)		
1 On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	624,074	623,413
2 (Asset amounts deducted in determining Tier 1 capital)	(6,013)	(6,913)
3 Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	618,061	616,500
Derivative exposures		
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	10,589	10,015
5 Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	37,606	32,961
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(6,523)	(7,491)
8 (Exempted CCP leg of client-cleared trade exposures)	–	–
9 Adjusted effective notional amount of written credit derivatives	56,652	34,695
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(54,941)	(33,045)
11 Total derivative exposures	43,383	37,135
Securities financing transaction exposures		
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	67,978	63,535
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	(2,700)	(3,121)
14 Counterparty credit risk exposure for SFT assets	6,414	7,005
16 Total securities financing transaction exposures	71,692	67,419
Other off-balance sheet exposures		
17 Off-balance sheet exposures at gross notional amount	410,977	408,135
18 (Adjustments for conversion to credit equivalent amounts)	(290,252)	(285,794)
19 Other off-balance sheet exposures	120,725	122,341
Capital and total exposures		
20 Tier 1 capital (end point)	42,123	42,006
Leverage ratio total exposure measure	853,861	843,395
22 Leverage ratio	4.9%	5.0%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23 Choice on transitional arrangements for the definition of the capital measure	Fully phased in	Fully phased in

Table 21: Leverage ratio: Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

	30.06.20 \$million	31.12.19 \$million
EU-1 Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	624,074	623,413
EU-2 Trading book exposures	44,485	41,149
EU-3 Banking book exposures, of which:	579,589	582,263
EU-4 Covered bonds	6,606	6,120
EU-5 Exposures treated as sovereigns	192,682	191,323
EU-6 Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	2,785	61
EU-7 Institutions	71,400	73,936
EU-8 Secured by mortgages of immovable properties	86,877	87,109
EU-9 Retail exposures	25,795	29,187
EU-10 Corporates	146,432	147,924
EU-11 Exposures in default	7,873	7,158
EU-12 Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	39,139	39,445

3 Credit risk

3.1 Exposure values

Credit quality of exposures

Credit risk EAD is based on the current outstanding exposure and accrued interest and fees, which are recognised in the Group's balance sheet in accordance with IFRS, plus a proportion of any undrawn facility. For standardised EAD, the proportion of any undrawn facility included is dependent on the facility type and tenor, and for IRB exposure classes this proportion is modelled.

Tables 22 to 24 break down defaulted and non-defaulted exposures by exposure class, as defined in the CRR, and by industry and geography. Exposure values presented in the tables are before the impact of credit conversion factors (CCF) and funded credit risk mitigation (CRM) but after substitution.

All Standard Chartered accounting provisions are categorised as specific credit risk adjustments according to the EBA Regulatory Technical Standards (RTS) on specification of the calculation of specific and general credit risk adjustments (EBA/RTS/2013/04). The column for general credit risk adjustments as included in the prescribed templates of the EBA disclosure guidelines has therefore been removed. Net values equate to EAD after deduction of specific credit risk adjustments.

Values in Tables 25 to 27 are gross carrying values in accordance with IFRS. Tables 25 to 27 depict past-due exposures, broken down by past-due bands and provide further information on non-performing and forborne exposures.

Table 22: Credit quality of exposures by exposure class and instruments (CR1-A)

		30.06.20				
		EAD before the effect of CCF & CRM ¹		Specific credit risk adjustment \$million	Credit risk adjustment changes in the period \$million	Net values \$million
		Defaulted exposures \$million	Non-defaulted exposures \$million			
IRB exposure class						
1	Central governments or central banks	23	324,366	54	9	324,335
2	Institutions	33	268,691	17	7	268,706
3	Corporates	7,811	486,209	5,433	301	488,587
4	Of which specialised lending	1,082	34,203	913	340	34,372
5	Of which SME	705	7,340	290	(47)	7,756
6	Retail	769	123,874	544	92	124,098
7	Secured by real estate collateral	217	71,707	38	–	71,885
8	Of which SME	6	397	2	1	401
9	Of which non-SME	211	71,310	36	(1)	71,484
10	Qualifying revolving retail	154	32,482	154	20	32,483
11	Other retail	398	19,686	352	73	19,731
12	Of which SME	198	3,071	132	51	3,137
13	Of which non-SME	200	16,615	220	22	16,594
	Non-credit obligation assets	314	827	–	–	1,141
15	Total IRB²	8,949	1,203,967	6,049	409	1,206,867
Standardised exposure class						
16	Central governments or central banks	–	84,969	2	–	84,967
19	Multilateral development banks	–	26,901	11	4	26,890
21	Institutions	–	32,888	1	(2)	32,887
22	Corporates	449	65,240	583	(186)	65,106
23	Of which SME	369	36,670	243	(37)	36,797
24	Retail	99	20,226	265	81	20,060
25	Of which SME	36	5,798	36	(4)	5,798
26	Secured on real estate property	123	9,668	72	(8)	9,718
27	Of which SME	7	3,324	11	(1)	3,320
29	Items belonging to regulatory high risk categories	804	501	16	(45)	1,290
33	Equity	–	2,044	–	–	2,044
34	Other Items ³	–	14,300	–	–	14,299
35	Total standardised	1,476	256,736	950	(156)	257,261
	Of which past due items	1,476	–	558	(265)	918
36	Total⁴	10,425	1,460,703	6,999	253	1,464,129
37	Of which loans	7,667	283,616	6,529	185	284,754
38	Of which debt securities	44	137,040	116	17	136,968
39	Of which off-balance sheet exposures	1,985	746,731	354	52	748,362

1 EAD before the effect of credit conversion factor and collateral but after substitution

2 Excludes securitisation exposures

3 Other items include cash, fixed assets, prepayments and accrued income

4 Amount written off during the year is \$851 million

3 Credit risk continued

Table 22: Credit quality of exposures by exposure class and instruments (CR1-A) continued

		31.12.19				
		EAD before the effect of CCF & CRM ¹		Specific credit risk adjustment \$million	Credit risk adjustment changes in the period \$million	Net values \$million
		Defaulted exposures \$million	Non-defaulted exposures \$million			
IRB exposure class						
1	Central governments or central banks	–	317,833	45	(4)	317,787
2	Institutions	–	272,875	9	4	272,866
3	Corporates	6,849	470,485	5,132	(954)	472,201
4	Of which specialised lending	724	34,685	573	(14)	34,836
5	Of which SME	610	6,976	337	(133)	7,249
6	Retail	699	122,725	452	27	122,972
7	Secured by real estate collateral	201	70,670	38	(2)	70,833
8	Of which SME	6	439	1	(2)	444
9	Of which non-SME	195	70,231	37	(1)	70,389
10	Qualifying revolving retail	148	32,484	134	13	32,497
11	Other retail	350	19,571	280	16	19,642
12	Of which SME	144	3,104	81	6	3,166
13	Of which non-SME	206	16,467	198	11	16,475
	Non-credit obligation assets	66	937	–	–	1,003
15	Total IRB²	7,614	1,184,854	5,639	(927)	1,186,830
Standardised exposure class						
16	Central governments or central banks	–	117,041	2	(4)	117,039
19	Multilateral development banks	–	25,036	7	1	25,029
21	Institutions	–	26,598	3	1	26,595
22	Corporates	910	69,050	770	(171)	69,190
23	Of which SME	414	37,857	280	61	37,991
24	Retail	121	24,209	184	(17)	24,146
25	Of which SME	43	6,697	40	5	6,700
26	Secured on real estate property	116	10,230	80	7	10,266
27	Of which SME	14	3,901	12	(2)	3,904
29	Items belonging to regulatory high risk categories	726	715	61	(32)	1,380
33	Equity	–	1,942	–	–	1,942
34	Other Items ³	–	11,600	–	–	11,600
35	Total standardised	1,873	286,421	1,107	(216)	287,187
	Of which past due items	1,873	–	823	(271)	1,050
36	Total⁴	9,488	1,471,274	6,745	(1,143)	1,474,017
37	Of which loans	7,643	302,917	6,344	(733)	304,216
38	Of which debt securities	66	137,555	99	(431)	137,521
39	Of which off-balance sheet exposures	1,570	760,764	302	21	762,032

1 EAD before the effect of credit conversion factor and collateral but after substitution

2 Excludes securitisation exposures

3 Other items include cash, fixed assets, prepayments and accrued income

4 Amount written off during the year is \$1,897 million

3 Credit risk continued

Table 23: Credit quality of exposures by industry types (CR1-B)

	30.06.20				
	EAD before the effect of CCF & CRM ¹		Specific credit risk adjustment \$million	Credit risk adjustment changes in the period \$million	Net values \$million
	Defaulted exposures \$million	Non-defaulted exposures \$million			
Loans to individuals – mortgage	331	77,020	98	–	77,253
Loans to individuals – other	566	63,546	613	127	63,500
SME	1,836	58,110	748	(29)	59,197
Commerce	1,568	74,265	1,325	236	74,508
Manufacturing	2,021	116,412	1,485	9	116,947
Commercial real estate	369	21,460	154	16	21,675
Government	55	389,149	55	10	389,149
Financing, Insurance and business services	483	511,810	979	289	511,314
Transport, storage and communication	1,352	29,032	428	(155)	29,956
Other	1,844	119,900	1,114	(250)	120,630
Total^{2,3}	10,425	1,460,703	6,999	253	1,464,129

	31.12.19				
	EAD before the effect of CCF & CRM ¹		Specific credit risk adjustment \$million	Credit risk adjustment changes in the period \$million	Net values \$million
	Defaulted exposures \$million	Non-defaulted exposures \$million			
Loans to individuals – mortgage	291	76,329	98	10	76,522
Loans to individuals – other	561	65,656	485	–	65,732
SME	1,609	60,539	777	170	61,371
Commerce	1,180	70,910	1,089	95	71,001
Manufacturing	2,012	113,206	1,477	264	113,741
Commercial real estate	308	20,697	138	13	20,866
Government	–	406,056	45	(6)	406,011
Financing, Insurance and business services	398	509,150	690	(89)	508,858
Transport, storage and communication	750	26,130	583	(485)	26,297
Other	2,379	122,603	1,364	(1,117)	123,618
Total^{2,3}	9,488	1,471,274	6,745	(1,143)	1,474,017

1 EAD before the effect of credit conversion factor and collateral but after substitution

2 Refer to Table 22 (CR1-A) for total net values

3 Accumulated write-off for the year is \$851 million (2019: \$1,897 million)

3 Credit risk continued

Table 24: Credit quality of exposures by geography (CR1-C)

	30.06.20				
	EAD before the effect of CCF & CRM ¹		Specific credit risk adjustment \$million	Credit risk adjustment changes in the period \$million	Net values \$million
	Defaulted exposures \$million	Non-defaulted exposures \$million			
Greater China & North Asia	803	509,385	633	(41)	509,556
ASEAN & South Asia	4,711	267,961	3,192	83	269,480
Africa & Middle East	3,833	136,450	2,589	279	137,694
Europe & Americas	1,078	546,906	585	(67)	547,399
Total^{2,3}	10,425	1,460,703	6,999	253	1,464,129
	31.12.19				
	EAD before the effect of CCF & CRM ¹		Specific credit risk adjustment \$million	Credit risk adjustment changes in the period \$million	Net values \$million
	Defaulted exposures \$million	Non-defaulted exposures \$million			
Greater China & North Asia	825	493,091	674	(8)	493,241
ASEAN & South Asia	4,382	279,906	3,110	(887)	281,178
Africa & Middle East	3,151	140,408	2,310	(58)	141,249
Europe & Americas	1,130	557,870	652	(190)	558,348
Total^{2,3}	9,488	1,471,274	6,745	(1,143)	1,474,017

1 EAD before the effect of credit conversion factor and collateral but after substitution

2 Refer to Table 22 (CR1-A) for total net values

3 Accumulated write-off for the year is \$851 million (2019: \$1,897 million)

3 Credit risk continued

Table 25: Credit quality of performing and non-performing exposures by past due days

		30.06.20		
		Gross carrying values		
		Performing exposures		
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days
		\$million	\$million	\$million
1	Loans and advances	442,722	442,082	640
2	Central banks	69,494	69,494	–
3	General governments	5,051	5,050	1
4	Credit institutions	63,902	63,876	26
5	Other financial corporations	60,440	60,437	3
6	Non-financial corporations	123,643	123,411	233
7	Of which SMEs	2,562	2,552	9
8	Households	120,192	119,814	378
9	Debt securities	146,726	146,723	3
10	Central banks	22,480	22,479	1
11	General governments	73,536	73,536	–
12	Credit institutions	33,065	33,065	–
13	Other financial corporations	14,472	14,470	2
14	Non-financial corporations	3,173	3,172	1
15	Off-balance sheet exposures	185,798	–	–
16	Central banks	619	–	–
17	General governments	1,471	–	–
18	Credit institutions	10,771	–	–
19	Other financial corporations	21,113	–	–
20	Non-financial corporations	96,281	–	–
21	Households	55,542	–	–
22	Total	775,246	588,805	644

		31.12.19		
		Gross carrying values		
		Performing exposures		
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days
		\$million	\$million	\$million
1	Loans and advances	447,476	446,565	910
2	Central banks	65,844	65,844	–
3	General governments	5,616	5,609	7
4	Credit institutions	69,373	69,348	25
5	Other financial corporations	62,549	62,545	4
6	Non-financial corporations	117,940	117,469	471
7	Of which SMEs	4,712	4,696	16
8	Households	126,153	125,750	404
9	Debt securities	145,604	145,598	6
10	Central banks	25,250	25,250	–
11	General governments	71,443	71,443	–
12	Credit institutions	30,272	30,272	–
13	Other financial corporations	14,532	14,531	1
14	Non-financial corporations	4,107	4,103	5
15	Off-balance sheet exposures	188,365	–	–
16	Central banks	688	–	–
17	General governments	1,688	–	–
18	Credit institutions	10,331	–	–
19	Other financial corporations	21,963	–	–
20	Non-financial corporations	101,426	–	–
21	Households	52,269	–	–
22	Total	781,445	592,164	916

3 Credit risk continued

Table 25: Credit quality of performing and non-performing exposures by past due days continued

		30.06.20								
		Gross carrying values								
		Non-performing exposures								
		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted	
		\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
1	Loans and advances	8,821	2,650	1,716	525	809	1,917	435	770	8,442
2	Central banks	2	2	–	–	–	–	–	–	–
3	General governments	233	148	85	–	–	–	–	–	233
4	Credit institutions	26	20	6	–	–	–	–	–	20
5	Other financial corporations	298	61	6	6	27	37	15	146	296
6	Non-financial corporations	6,902	1,883	990	471	694	1,834	416	614	6,763
7	Of which SMEs	456	311	13	5	17	99	5	6	456
8	Households	1,361	536	630	48	88	45	3	10	1,131
9	Debt securities	53	37	–	–	–	16	–	–	52
10	Central banks	–	–	–	–	–	–	–	–	–
11	General governments	–	–	–	–	–	–	–	–	–
12	Credit institutions	–	–	–	–	–	–	–	–	–
13	Other financial corporations	–	–	–	–	–	–	–	–	–
14	Non-financial corporations	53	37	–	–	–	16	–	–	52
15	Off-balance sheet exposures	649	–	–	–	–	–	–	–	637
16	Central banks	–	–	–	–	–	–	–	–	–
17	General governments	–	–	–	–	–	–	–	–	–
18	Credit institutions	12	–	–	–	–	–	–	–	12
19	Other financial corporations	27	–	–	–	–	–	–	–	27
20	Non-financial corporations	608	–	–	–	–	–	–	–	597
21	Households	1	–	–	–	–	–	–	–	1
22	Total	9,523	2,687	1,716	525	809	1,933	435	770	9,130
		31.12.19								
		Gross carrying values								
		Non-performing exposures								
		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted	
		\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
1	Loans and advances	7,762	2,182	955	385	883	2,241	521	594	7,008
2	Central banks	–	–	–	–	–	–	–	–	–
3	General governments	–	–	–	–	–	–	–	–	–
4	Credit institutions	5	5	–	–	–	–	–	–	–
5	Other financial corporations	257	5	7	31	214	–	–	–	244
6	Non-financial corporations	6,262	1,741	369	309	534	2,205	520	584	5,822
7	Of which SMEs	358	222	–	7	127	–	–	1	350
8	Households	1,237	430	579	44	136	36	1	10	943
9	Debt securities	75	47	–	–	–	28	–	–	55
10	Central banks	–	–	–	–	–	–	–	–	–
11	General governments	–	–	–	–	–	–	–	–	–
12	Credit institutions	–	–	–	–	–	–	–	–	–
13	Other financial corporations	–	–	–	–	–	–	–	–	–
14	Non-financial corporations	75	47	–	–	–	28	–	–	55
15	Off-balance sheet exposures	610	–	–	–	–	–	–	–	539
16	Central banks	–	–	–	–	–	–	–	–	–
17	General governments	–	–	–	–	–	–	–	–	–
18	Credit institutions	–	–	–	–	–	–	–	–	–
19	Other financial corporations	9	–	–	–	–	–	–	–	9
20	Non-financial corporations	601	–	–	–	–	–	–	–	530
21	Households	–	–	–	–	–	–	–	–	–
22	Total	8,447	2,229	955	385	883	2,270	521	594	7,602

3 Credit risk continued

Table 26: Credit quality of forbore exposures

		30.06.20							
		Gross carrying values of performing and non-performing exposures			Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forbore exposures		
		Of which non-performing					Of which collateral and financial guarantees received on non-performing exposures with forbearance measures		
		Performing forbore \$million	\$million	Of which defaulted \$million	Of which impaired \$million	On performing forbore exposures \$million	On non-performing forbore exposures \$million	\$million	\$million
1	Loans and advances	209	2,216	1,928	2,148	(2)	(1,378)	404	355
2	Central banks	-	-	-	-	-	-	-	-
3	General governments	-	-	-	-	-	-	-	-
4	Credit institutions	-	-	-	-	-	-	-	-
5	Other financial corporations	-	107	107	107	-	(79)	-	-
6	Non-financial corporations	192	1,812	1,805	1,808	(2)	(1,145)	336	301
7	Households	17	297	16	232	-	(154)	67	54
8	Debt securities	-	-	-	-	-	-	-	-
9	Loan commitments given	-	-	-	-	-	-	-	-
10	Total	209	2,216	1,928	2,148	(2)	(1,378)	404	355

		31.12.19							
		Gross carrying values of performing and non-performing exposures			Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forbore exposures		
		Of which non-performing					Of which collateral and financial guarantees received on non-performing exposures with forbearance measures		
		Performing forbore \$million	\$million	Of which defaulted \$million	Of which impaired \$million	On performing forbore exposures \$million	On non-performing forbore exposures \$million	\$million	\$million
1	Loans and advances	1,008	2,376	1,850	2,294	(17)	(1,630)	729	598
2	Central banks	-	-	-	-	-	-	-	-
3	General governments	-	-	-	-	-	-	-	-
4	Credit institutions	-	-	-	-	-	-	-	-
5	Other financial corporations	1	106	106	106	-	(75)	-	-
6	Non-financial corporations	867	1,940	1,726	1,936	(17)	(1,387)	479	366
7	Households	140	330	18	252	-	(169)	250	232
8	Debt securities	-	-	-	-	-	-	-	-
9	Loan commitments given	-	-	-	-	-	-	-	-
10	Total	1,008	2,376	1,850	2,294	(17)	(1,630)	729	598

3 Credit risk continued

Table 27: Performing and non-performing exposures and related provisions

		30.06.20					
		Gross carrying amount/nominal amount					
		Performing exposures			Non-performing exposures		
		\$million	Of which stage 1 \$million	Of which stage 2 \$million	\$million	Of which stage 2 \$million	Of which stage 3 \$million
1	Loans and advances	442,722	418,405	24,317	8,821	–	8,821
2	Central banks	69,494	69,363	131	2	–	2
3	General governments	5,051	4,716	335	233	–	233
4	Credit institutions	63,902	63,577	325	26	–	26
5	Other financial corporations	60,440	59,614	826	298	–	298
6	Non-financial corporations	123,643	104,736	18,907	6,902	–	6,902
7	Of which SMEs	2,562	1,986	576	456	–	456
8	Households	120,192	116,400	3,792	1,361	–	1,361
9	Debt securities	146,726	144,017	2,709	53	–	53
10	Central banks	22,480	21,151	1,330	–	–	–
11	General governments	73,536	72,614	923	–	–	–
12	Credit institutions	33,065	32,942	123	–	–	–
13	Other financial corporations	14,472	14,306	166	–	–	–
14	Non-financial corporations	3,173	3,004	168	53	–	53
15	Off-balance sheet exposures	185,798	172,312	13,485	649	–	649
16	Central banks	619	394	225	–	–	–
17	General governments	1,471	1,275	195	–	–	–
18	Credit institutions	10,771	10,429	342	12	–	12
19	Other financial corporations	21,113	20,086	1,027	27	–	27
20	Non-financial corporations	96,281	86,547	9,735	608	–	608
21	Households	55,542	53,580	1,962	1	–	1
22	Total	775,246	734,734	40,512	9,523	–	9,523

		31.12.19					
		Gross carrying amount/nominal amount					
		Performing exposures			Non-performing exposures		
		\$million	Of which stage 1 \$million	Of which stage 2 \$million	\$million	Of which stage 2 \$million	Of which stage 3 \$million
1	Loans and advances	447,476	360,276	22,062	7,762	–	7,762
2	Central banks	65,844	63,424	36	–	–	–
3	General governments	5,616	3,660	908	–	–	–
4	Credit institutions	69,373	50,346	615	5	–	5
5	Other financial corporations	62,549	22,765	1,079	257	–	257
6	Non-financial corporations	117,940	97,765	15,841	6,262	–	6,262
7	Of which SMEs	4,712	3,816	896	358	–	358
8	Households	126,153	122,315	3,583	1,237	–	1,237
9	Debt securities	145,604	140,510	4,649	75	–	75
10	Central banks	25,250	23,313	1,936	–	–	–
11	General governments	71,443	69,102	2,031	–	–	–
12	Credit institutions	30,272	29,978	253	–	–	–
13	Other financial corporations	14,532	14,274	224	–	–	–
14	Non-financial corporations	4,107	3,842	206	75	–	75
15	Off-balance sheet exposures	188,365	175,906	12,460	610	–	610
16	Central banks	688	685	3	–	–	–
17	General governments	1,688	1,313	375	–	–	–
18	Credit institutions	10,331	10,138	193	–	–	–
19	Other financial corporations	21,963	21,036	928	9	–	9
20	Non-financial corporations	101,426	92,764	8,663	601	–	601
21	Households	52,269	49,970	2,298	–	–	–
22	Total	781,445	676,692	39,171	8,447	–	8,447

3 Credit risk continued

Table 27: Performing and non-performing exposures and related provisions continued

		30.06.20						Collateral and financial guarantees received		
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures
		\$million	Of which stage 1 \$million	Of which stage 2 \$million	\$million	Of which stage 2 \$million	Of which stage 3 \$million	\$million	\$million	\$million
1	Loans and advances	(1,260)	(479)	(781)	(5,262)	–	(5,262)	(3,622)	127,768	1,803
2	Central banks	(1)	(1)	–	(2)	–	(2)	–	3,266	–
3	General governments	(2)	(1)	(2)	(18)	–	(18)	(3)	1,056	38
4	Credit institutions	(2)	(2)	–	(10)	–	(10)	(27)	2,268	–
5	Other financial corporations	(13)	(8)	(5)	(193)	–	(193)	(270)	2,916	31
6	Non-financial corporations	(749)	(162)	(586)	(4,451)	–	(4,451)	(3,319)	29,941	1,063
7	Of which SMEs	(19)	(5)	(14)	(400)	–	(400)	–	1,223	61
8	Households	(493)	(305)	(188)	(587)	–	(587)	(3)	88,322	670
9	Debt securities	(86)	(49)	(37)	(30)	–	(30)	–	367	40
10	Central banks	(27)	(14)	(13)	–	–	–	–	–	–
11	General governments	(25)	(14)	(11)	–	–	–	–	–	–
12	Credit institutions	(3)	(1)	(1)	–	–	–	–	–	–
13	Other financial corporations	(15)	(13)	(3)	–	–	–	–	–	–
14	Non-financial corporations	(16)	(7)	(9)	(30)	–	(30)	–	367	40
15	Off-balance sheet exposures	(171)	(60)	(112)	(183)	–	(183)	–	5,217	43
16	Central banks	–	–	–	–	–	–	–	–	–
17	General governments	–	–	–	–	–	–	–	171	–
18	Credit institutions	(1)	(1)	–	(4)	–	(4)	–	279	–
19	Other financial corporations	(4)	(4)	(1)	–	–	–	–	800	–
20	Non-financial corporations	(158)	(50)	(108)	(179)	–	(179)	–	3,726	42
21	Households	(7)	(5)	(2)	–	–	–	–	240	–
22	Total	(1,517)	(588)	(929)	(5,474)	–	(5,474)	(3,622)	133,352	1,886

		31.12.19						Collateral and financial guarantees received		
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures
		\$million	Of which stage 1 \$million	Of which stage 2 \$million	\$million	Of which stage 2 \$million	Of which stage 3 \$million	\$million	\$million	\$million
1	Loans and advances	(843)	(453)	(390)	(5,304)	–	(5,304)	(3,236)	124,529	1,394
2	Central banks	(1)	(1)	–	–	–	–	–	1,515	–
3	General governments	(4)	(1)	(4)	–	–	–	(3)	511	–
4	Credit institutions	(4)	(3)	–	–	–	–	(27)	5,448	–
5	Other financial corporations	(26)	(9)	(17)	(177)	–	(177)	(270)	1,800	38
6	Non-financial corporations	(330)	(132)	(198)	(4,565)	–	(4,565)	(2,934)	25,387	819
7	Of which SMEs	(21)	(11)	(10)	(276)	–	(276)	–	1,815	70
8	Households	(479)	(307)	(171)	(563)	–	(563)	(3)	89,868	536
9	Debt securities	(73)	(51)	(22)	(45)	–	(45)	–	51	30
10	Central banks	(25)	(14)	(11)	–	–	–	–	–	–
11	General governments	(21)	(18)	(3)	–	–	–	–	–	–
12	Credit institutions	(4)	(4)	–	–	–	–	–	–	–
13	Other financial corporations	(9)	(7)	(2)	–	–	–	–	30	–
14	Non-financial corporations	(14)	(8)	(6)	(45)	–	(45)	–	21	30
15	Off-balance sheet exposures	(111)	(58)	(53)	(191)	–	(191)	–	5,120	16
16	Central banks	(1)	(1)	–	–	–	–	–	–	–
17	General governments	(1)	–	–	–	–	–	–	154	–
18	Credit institutions	(1)	(1)	–	–	–	–	–	170	–
19	Other financial corporations	(7)	(5)	(2)	–	–	–	–	791	–
20	Non-financial corporations	(87)	(41)	(46)	(191)	–	(191)	–	3,763	16
21	Households	(14)	(9)	(6)	–	–	–	–	242	–
22	Total	(1,027)	(561)	(466)	(5,540)	–	(5,540)	(3,236)	129,700	1,440

3 Credit risk continued

Table 28: Changes in the stock of general and specific credit risk adjustments (CR2-A)

		30.06.20	
		Accumulated specific credit risk adjustment \$million	Accumulated general credit risk adjustment \$million
1	Opening balance	6,591	N/A
2	Increases due to amounts set aside for estimated loan losses during the period	1,835	N/A
3	Decreases due to amounts reversed for estimated loan losses during the period	(147)	N/A
4	Decreases due to amounts taken against accumulated credit risk adjustments	(950)	N/A
5	Transfers between credit risk adjustments	–	N/A
6	Impact of exchange rate differences	(185)	N/A
7	Business combinations, including acquisitions and disposals of subsidiaries	(364)	N/A
8	Other adjustments	212	N/A
9	Closing balance	6,992	N/A
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	(110)	N/A
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	1,688	N/A
		31.12.19	
		Accumulated specific credit risk adjustment \$million	Accumulated general credit risk adjustment \$million
1	Opening balance	7,886	N/A
2	Increases due to amounts set aside for estimated loan losses during the period	2,003	N/A
3	Decreases due to amounts reversed for estimated loan losses during the period	(781)	N/A
4	Decreases due to amounts taken against accumulated credit risk adjustments	(2,201)	N/A
5	Transfers between credit risk adjustments	–	N/A
6	Impact of exchange rate differences	141	N/A
7	Business combinations, including acquisitions and disposals of subsidiaries	–	N/A
8	Other adjustments	(458)	N/A
9	Closing balance	6,591	N/A
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	(249)	N/A
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	1,148	N/A

Table 29: Changes in the stock of defaulted and impaired loans and debt securities (CR2-B)

		30.06.20	31.12.19
		Gross carrying value of defaulted exposures \$million	Gross carrying value of defaulted exposures \$million
1	Opening balance	8,446	10,180
2	Loans and debt securities that have defaulted or impaired since the last reporting period	3,044	2,323
3	Returned to non-defaulted status	(35)	(192)
4	Amounts written off	(950)	(2,278)
5	Other changes	(981)	(1,587)
6	Closing balance	9,524	8,446

3 Credit risk continued

3.2 Risk grade profile

Table 30 sets out credit and counterparty risk EAD within the IRB portfolios by regulatory exposure classes. EAD has been calculated after taking into account the impact of credit risk mitigation. Where an exposure is guaranteed or covered by credit derivatives, it is shown against the exposure class of the guarantor or derivative issuer. A further split of the major exposure classes by credit grade can be seen in Tables 31 to 39.

IRB credit risk excluding counterparty credit risk EAD and RWAs increased by \$9.2 billion and \$2.2 billion respectively (Tables 31 to 39):

- Central governments and central banks EAD increased \$5.9 billion and RWA decreased by \$0.3 billion, driven by an increase in inter-bank lending, primarily in ASEAN & South Asia
- Institutions EAD and RWA decreased by \$1.3 billion and \$2.1 billion respectively, driven by decreases across multiple regions and products
- IRB corporates EAD and RWA increased \$3.9 billion and \$4.5 billion respectively, driven by an increase in short-term and revolving loan facilities, primarily in Greater China & North Asia and Europe & Americas

Table 30: IRB – Credit risk exposure by exposure class

30.06.20												
IRB exposure class	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
Central governments or central banks	153,266	151,710	1	156,605	0.19	0.2	45	1.31	21,522	14	123	54
Institutions	73,423	159,702	7	83,725	0.22	1.7	38	0.90	13,563	16	52	17
Corporates	136,907	284,148	19	188,178	4.64	22.2	42	1.48	90,536	48	5,196	5,392
Of which Specialised lending ³	18,001	20,034	15	17,452	8.50	1.2	31	1.68	9,068	52	847	873
Of which SME	4,696	3,557	30	5,556	11.57	6.2	29	1.56	3,151	57	318	290
Retail	84,916	40,010	50	104,778	1.61	4,309.1	34		22,793	22	978	544
Of which secured by real estate	68,838	3,086	100	71,910	0.63	357.6	12		4,325	6	87	38
– SME	357	40	55	385	3.89	2.5	–		–	–	1	2
– Non-SME	68,481	3,046	100	71,525	0.61	355.0	12		4,325	6	86	36
Of which qualifying revolving retail	2,884	29,752	44	15,944	2.48	3,338.1	84		4,376	27	269	154
Of which other retail	13,194	7,172	56	16,924	4.98	612.4	78		14,093	83	623	352
– SME	2,119	1,433	11	1,997	10.51	33.0	60		1,209	61	161	132
– Non-SME	11,075	5,739	67	14,928	4.24	579.4	80		12,883	86	462	220
Non-credit obligation assets	1,141	–	–	1,141	–	–	–		1,141	100	–	–
Total IRB⁴	449,653	635,570	13	534,428	2.02	4,333.0	40	1.05	149,555	28	6,349	6,007

1 Weighted averages are based on EAD

2 Number of obligors is based on number of counterparties for central governments or central banks, institutions and corporates and on individual pools of clients for retail

3 Corporates of which specialised lending includes exposures for specialised lending subject to supervisory slotting criteria

4 Refer to Table 13 (OV1) for RWA

3 Credit risk continued

Table 30: IRB – Credit risk exposure by exposure class continued

31.12.19

IRB exposure class	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
Central governments or central banks	148,292	152,562	–	150,754	0.18	0.3	45	1.40	21,807	14	116	44
Institutions	76,361	162,607	6	85,009	0.22	1.6	38	0.91	15,638	18	61	9
Corporates	130,092	268,848	21	184,245	4.31	22.1	41	1.47	86,061	47	5,202	5,132
Of which Specialised lending ³	18,478	19,501	16	18,456	6.11	1.1	32	1.71	9,917	54	565	573
Of which SME	4,637	3,090	25	5,124	12.67	6.5	30	1.46	3,312	65	356	337
Retail	85,592	38,073	49	104,198	1.52	4,325.4	34		22,857	22	914	452
Of which secured by real estate	68,844	2,032	99	70,856	0.56	358.2	12		4,264	6	79	38
– SME	403	42	54	425	3.51	2.7	–		–	–	–	1
– Non-SME	68,442	1,990	100	70,431	0.55	355.5	12		4,264	6	78	37
Of which qualifying revolving retail	3,539	29,092	44	16,433	2.39	3,351.7	83		4,592	28	263	134
Of which other retail	13,209	6,948	57	16,908	4.71	617.2	78		14,001	83	572	280
– SME	2,082	1,401	12	2,013	8.05	33.3	61		1,299	65	110	81
– Non-SME	11,127	5,547	68	14,895	4.25	583.9	80		12,702	85	462	198
Non-credit obligation assets	1,003	–	–	1,003	–	–	–		1,003	100	–	–
Total IRB⁴	441,340	622,089	14	525,209	1.88	4,349.0	40	1.06	147,365	27	6,293	5,638

1 Weighted averages are based on EAD

2 Number of obligors is based on number of counterparties for central governments or central banks, institutions and corporates and on individual pools of clients for retail

3 Corporates of which Specialised lending includes exposures for specialised lending subject to supervisory slotting criteria

4 Refer to Table 13 (OV1) for RWA

3 Credit risk continued

Table 31: IRB credit risk exposure by internal PD grade for central governments or central banks (CR6)

30.06.20												
PD range %	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
0.00 to <0.15	135,812	132,862	1	140,011	0.02	0.1	45	1.32	9,414	7	12	
0.15 to <0.25	5,539	4,602	1	5,621	0.22	–	45	1.80	2,348	42	6	
0.25 to <0.50	951	1,562	1	763	0.51	–	45	1.03	433	57	2	
0.50 to <0.75	1,545	419	–	1,545	0.67	–	45	0.99	994	64	5	
0.75 to <2.50	8,191	10,635	3	8,126	1.63	0.1	44	1.03	7,322	90	58	
2.50 to <10.00	959	1,264	–	332	6.73	–	45	1.19	523	157	10	
10.00 to <100.00	184	358	–	184	33.00	–	45	1.00	460	250	27	
100.00 (default)	84	8	–	23	100.00	–	18	1.02	28	125	4	
Total	153,266	151,710	1	156,605	0.19	0.2	45	1.31	21,522	14	123	54
31.12.19												
PD range %	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
0.00 to <0.15	130,998	120,796	–	134,248	0.02	0.2	45	1.39	9,605	7	12	
0.15 to <0.25	6,084	2,776	1	6,180	0.22	–	45	2.13	2,788	45	6	
0.25 to <0.50	987	1,525	–	747	0.39	–	45	1.48	402	54	2	
0.50 to <0.75	981	529	–	981	0.67	–	45	1.18	655	67	3	
0.75 to <2.50	8,127	11,695	3	7,923	1.59	0.1	44	1.06	7,111	90	55	
2.50 to <10.00	774	2,354	1	395	5.89	–	45	1.72	615	156	10	
10.00 to <100.00	342	12,887	–	281	24.55	–	41	1.27	631	225	28	
100.00 (default)	–	–	–	–	–	–	–	–	–	–	–	
Total	148,292	152,562	–	150,754	0.18	0.3	45	1.40	21,807	14	116	44

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3 Credit risk continued

Table 32: IRB credit risk exposure by internal PD grade for institutions (CR6)

30.06.20												
PD range %	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
0.00 to <0.15	60,560	121,767	6	70,451	0.04	0.8	39	0.97	7,448	11	12	
0.15 to <0.25	2,864	10,861	9	3,834	0.22	0.1	35	0.46	1,078	28	3	
0.25 to <0.50	3,022	11,188	5	3,319	0.48	0.2	31	0.78	1,397	42	5	
0.50 to <0.75	514	2,078	7	505	0.67	0.1	33	0.26	252	50	1	
0.75 to <2.50	6,274	12,859	12	5,417	1.50	0.4	27	0.47	3,223	59	22	
2.50 to <10.00	142	785	6	139	4.66	0.0	22	0.59	98	70	1	
10.00 to <100.00	34	146	8	29	24.60	0.1	22	0.31	49	166	2	
100.00 (default)	14	18	87	30	100.00	–	27	0.23	18	62	6	
Total	73,423	159,702	7	83,725	0.22	1.7	38	0.90	13,563	16	52	17
31.12.19												
PD range %	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
0.00 to <0.15	59,924	124,158	5	69,216	0.04	0.8	39	0.98	7,491	11	11	
0.15 to <0.25	2,699	10,997	10	3,636	0.22	0.1	35	0.63	1,089	30	3	
0.25 to <0.50	4,754	10,192	4	4,373	0.45	0.2	34	0.78	1,902	43	7	
0.50 to <0.75	809	2,111	7	545	0.67	0.1	38	0.40	316	58	1	
0.75 to <2.50	7,495	14,029	13	6,753	1.44	0.4	31	0.44	4,314	64	29	
2.50 to <10.00	494	884	10	430	5.98	0.1	25	0.36	408	95	7	
10.00 to <100.00	186	236	1	56	13.90	–	41	0.42	118	209	3	
100.00 (default)	–	–	–	–	–	–	–	–	–	–	–	
Total	76,361	162,607	6	85,009	0.22	1.6	38	0.91	15,638	18	61	9

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3 Credit risk continued

Table 33: IRB credit risk exposure by internal PD grade for Corporates (CR6)

30.06.20

PD range %	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
0.00 to <0.15	42,891	130,175	16	73,954	0.08	3.1	45	1.53	14,470	20	26	
0.15 to <0.25	16,030	34,109	20	22,890	0.22	2.2	44	1.36	8,416	37	22	
0.25 to <0.50	20,136	48,164	23	29,625	0.45	3.5	40	1.61	15,658	53	53	
0.50 to <0.75	9,084	16,363	21	10,658	0.67	1.3	42	1.37	6,819	64	30	
0.75 to <2.50	25,039	36,773	22	28,932	1.54	5.1	34	1.47	20,505	71	152	
2.50 to <10.00	8,757	13,376	16	8,405	5.49	4.0	36	1.36	9,769	116	167	
10.00 to <100.00	4,473	2,250	36	2,978	21.42	2.0	32	1.65	4,928	165	202	
100.00 (default)	6,616	1,646	37	6,678	100.00	1.0	48	1.16	6,678	100	4,498	
Total	133,025	282,856	19	184,121	4.64	22.2	42	1.48	87,244	48	5,150	5,392

31.12.19

PD range %	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
0.00 to <0.15	42,491	122,887	18	74,360	0.08	3.2	44	1.54	14,879	20	25	
0.15 to <0.25	14,746	35,978	23	22,743	0.22	2.2	41	1.24	7,682	34	21	
0.25 to <0.50	20,195	47,279	23	29,990	0.45	3.4	38	1.61	15,325	51	52	
0.50 to <0.75	7,256	13,913	24	9,285	0.68	1.2	41	1.37	5,939	64	26	
0.75 to <2.50	23,041	37,614	23	27,201	1.52	5.2	34	1.54	19,529	72	141	
2.50 to <10.00	7,982	7,185	23	7,361	5.52	3.7	38	1.20	8,874	121	156	
10.00 to <100.00	4,083	1,964	35	2,370	19.96	2.0	33	1.41	4,102	173	157	
100.00 (default)	5,725	1,270	43	6,130	100.00	1.0	55	1.05	5,805	95	4,583	
Total	125,520	268,090	21	179,441	4.31	22.0	41	1.47	82,137	47	5,160	5,133

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3 Credit risk continued

Table 34: IRB credit risk exposure by internal PD grade for corporates – specialised lending (CR6)

30.06.20

PD range %	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
0.00 to <0.15	1,915	3,126	17	2,401	0.09	0.2	33	2.44	459	19	1	
0.15 to <0.25	2,825	1,807	11	2,495	0.22	0.1	30	0.94	531	21	2	
0.25 to <0.50	2,786	4,005	11	2,631	0.44	0.2	32	1.79	1,036	39	4	
0.50 to <0.75	702	1,855	19	758	0.67	0.1	30	1.12	335	44	2	
0.75 to <2.50	3,610	5,421	18	3,378	1.45	0.5	27	1.74	1,929	57	13	
2.50 to <10.00	916	2,142	5	483	5.56	0.1	31	2.43	532	110	9	
10.00 to <100.00	347	140	5	283	25.23	–	28	3.79	464	164	19	
100.00 (default)	1,019	246	87	967	100.00	0.1	41	0.67	492	51	754	
Total	14,119	18,742	15	13,395	8.50	1.2	31	1.68	5,778	43	802	873

31.12.19

PD range %	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
0.00 to <0.15	1,984	3,747	16	2,666	0.09	0.2	33	2.14	454	17	1	
0.15 to <0.25	2,999	2,441	11	2,703	0.22	0.1	31	1.07	599	22	2	
0.25 to <0.50	2,947	4,189	18	2,942	0.47	0.2	31	1.84	1,268	43	4	
0.50 to <0.75	497	1,714	28	768	0.67	0.1	29	1.34	345	45	2	
0.75 to <2.50	3,850	5,804	12	3,323	1.53	0.5	31	1.89	2,258	68	16	
2.50 to <10.00	691	589	8	368	6.21	–	35	1.36	435	118	8	
10.00 to <100.00	312	116	31	204	30.11	–	17	3.33	194	95	10	
100.00 (default)	626	144	74	678	100.00	–	48	0.74	440	65	482	
Total	13,906	18,743	16	13,652	6.16	1.2	32	1.68	5,994	44	525	573

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3 Credit risk continued

Table 35: IRB credit risk exposure by internal PD grade for corporates – SME (CR6)

30.06.20												
PD range %	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
0.00 to <0.15	283	236	24	345	0.06	0.1	53	0.73	58	17	–	
0.15 to <0.25	319	341	41	483	0.23	0.4	28	1.33	90	19	–	
0.25 to <0.50	408	753	43	826	0.45	0.7	25	2.47	221	27	1	
0.50 to <0.75	134	311	22	199	0.69	0.2	16	0.65	36	18	–	
0.75 to <2.50	1,523	1,125	26	1,711	1.78	1.6	23	1.65	771	45	7	
2.50 to <10.00	1,178	446	25	1,196	5.72	2.0	24	1.80	735	61	16	
10.00 to <100.00	349	83	29	320	18.83	1.0	33	0.73	450	141	20	
100.00 (default)	501	262	13	477	100.00	0.2	52	0.11	791	166	272	
Total	4,696	3,557	30	5,556	11.57	6.2	29	1.56	3,151	57	318	290
31.12.19												
PD range %	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
0.00 to <0.15	189	161	14	218	0.07	–	55	0.72	53	24	–	
0.15 to <0.25	284	426	37	465	0.23	0.4	26	3.88	79	17	–	
0.25 to <0.50	417	452	19	504	0.49	0.7	23	0.92	105	21	1	
0.50 to <0.75	184	194	21	228	0.70	0.3	21	0.79	54	24	–	
0.75 to <2.50	1,563	1,138	21	1,746	1.78	1.7	25	1.65	849	49	8	
2.50 to <10.00	1,183	507	33	1,215	5.72	2.1	30	1.66	956	79	21	
10.00 to <100.00	353	65	42	249	17.64	1.0	30	0.44	346	139	14	
100.00 (default)	463	147	25	499	100.00	0.2	58	0.15	872	175	312	
Total	4,637	3,090	25	5,124	12.67	6.5	30	1.46	3,312	65	356	337

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3 Credit risk continued

Table 36: IRB credit risk exposure by internal PD grade for retail (CR6)

30.06.20

PD range %	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
0.00 to <0.15	58,178	22,069	57	70,682	0.07	1,599.2	23		2,702	4	12	
0.15 to <0.25	5,642	4,252	46	7,570	0.23	303.5	33		882	12	6	
0.25 to <0.50	4,487	1,958	56	5,546	0.40	218.6	49		1,589	29	11	
0.50 to <0.75	2,465	3,477	49	4,148	0.68	228.2	62		1,440	35	17	
0.75 to <2.50	7,460	4,776	42	9,328	1.73	666.1	65		6,817	73	105	
2.50 to <10.00	4,951	2,573	25	5,539	5.83	850.0	71		6,226	112	228	
10.00 to <100.00	1,026	840	28	1,252	29.81	377.0	68		2,089	167	233	
100.00 (default)	706	63	14	715	100.00	66.5	54		1,050	147	366	
Total	84,916	40,010	50	104,778	1.61	4,309.1	34		22,793	22	978	544

31.12.19

PD range %	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
0.00 to <0.15	58,617	20,329	56	69,948	0.06	1,576.3	23		2,736	4	12	
0.15 to <0.25	5,492	4,272	44	7,362	0.23	318.7	35		842	11	6	
0.25 to <0.50	5,337	2,081	54	6,425	0.40	246.0	48		1,831	29	12	
0.50 to <0.75	2,627	3,376	49	4,260	0.68	229.3	62		1,500	35	18	
0.75 to <2.50	6,741	4,671	42	8,584	1.72	678.8	67		6,478	75	104	
2.50 to <10.00	5,136	2,591	27	5,791	5.87	890.0	71		6,500	112	241	
10.00 to <100.00	1,002	694	27	1,178	28.49	320.7	68		1,961	167	215	
100.00 (default)	640	59	19	651	100.00	65.6	55		1,007	155	306	
Total	85,592	38,073	49	104,198	1.52	4,325.4	34		22,857	22	914	452

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3 Credit risk continued

Table 37: IRB credit risk exposure by internal PD grade for retail – secured by real estate property (CR6)

30.06.20												
PD range %	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
0.00 to <0.15	56,792	2,317	100	59,109	0.07	261.4	11		1,899	3	5	
0.15 to <0.25	5,090	426	98	5,512	0.22	26.5	16		513	9	2	
0.25 to <0.50	2,595	137	99	2,731	0.43	19.9	17		395	14	2	
0.50 to <0.75	1,294	62	99	1,356	0.66	13.1	16		222	16	1	
0.75 to <2.50	2,130	95	96	2,221	1.54	24.1	19		558	25	4	
2.50 to <10.00	509	44	97	552	6.20	6.6	17		297	54	5	
10.00 to <100.00	210	2	89	211	44.28	2.7	15		156	74	15	
100.00 (default)	216	1	92	216	100.00	3.2	34		284	131	53	
Total	68,838	3,086	100	71,910	0.63	357.6	12		4,325	6	87	38
31.12.19												
PD range %	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
0.00 to <0.15	56,972	1,465	100	58,438	0.06	260.4	11		1,922	3	4	
0.15 to <0.25	4,817	299	96	5,106	0.22	30.8	17		450	9	2	
0.25 to <0.50	3,230	108	99	3,335	0.42	27.1	20		541	16	3	
0.50 to <0.75	1,355	39	99	1,394	0.66	12.9	16		223	16	1	
0.75 to <2.50	1,605	63	92	1,663	1.39	15.1	14		418	25	3	
2.50 to <10.00	464	54	98	516	6.49	5.8	14		263	51	5	
10.00 to <100.00	201	2	99	204	36.72	3.0	18		204	100	13	
100.00 (default)	199	2	93	201	100.00	3.1	32		242	120	47	
Total	68,844	2,032	99	70,856	0.56	358.2	12		4,264	6	79	38

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3 Credit risk continued

Table 38: IRB credit risk exposure by internal PD grade for retail – qualifying revolving (CR6)

30.06.20												
PD range %	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
0.00 to <0.15	808	17,113	48	8,976	0.07	1,240.7	85		375	4	6	
0.15 to <0.25	170	3,278	40	1,481	0.25	258.7	80		164	11	3	
0.25 to <0.50	119	1,072	50	652	0.43	138.8	76		104	16	2	
0.50 to <0.75	241	2,984	48	1,667	0.68	178.1	88		445	27	10	
0.75 to <2.50	497	2,850	35	1,505	1.76	470.7	81		745	50	22	
2.50 to <10.00	633	1,779	24	1,067	6.26	685.5	79		1,226	115	53	
10.00 to <100.00	262	676	27	443	27.99	330.7	81		957	216	100	
100.00 (default)	153	1	–	153	100.00	34.8	67		360	235	73	
Total	2,884	29,752	44	15,944	2.48	3,338.1	84		4,376	27	269	154
31.12.19												
PD range %	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
0.00 to <0.15	1,003	16,299	48	8,876	0.08	1,218.0	85		377	4	6	
0.15 to <0.25	227	3,435	40	1,596	0.25	269.8	79		174	11	3	
0.25 to <0.50	175	1,136	51	760	0.43	157.4	76		121	16	2	
0.50 to <0.75	285	2,885	49	1,690	0.68	178.9	88		449	27	10	
0.75 to <2.50	608	2,912	36	1,663	1.75	480.5	81		816	49	24	
2.50 to <10.00	820	1,911	25	1,303	6.26	731.8	79		1,494	115	65	
10.00 to <100.00	273	514	25	399	27.44	282.5	80		825	207	87	
100.00 (default)	147	1	–	147	100.00	32.7	64		336	229	66	
Total	3,539	29,092	44	16,433	2.39	3,351.7	83		4,592	28	263	134

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3 Credit risk continued

Table 39: IRB credit risk exposure by internal PD grade for retail – SME (CR6)

30.06.20												
PD range %	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
0.00 to <0.15	72	44	12	72	0.10	2.3	71		10	14	–	
0.15 to <0.25	115	126	18	119	0.26	1.9	57		27	22	–	
0.25 to <0.50	136	60	22	108	0.45	3.0	60		35	32	–	
0.50 to <0.75	98	51	30	85	0.69	1.8	58		35	41	–	
0.75 to <2.50	944	520	9	880	1.71	13.1	62		543	62	9	
2.50 to <10.00	545	483	6	520	5.47	8.1	57		381	73	16	
10.00 to <100.00	70	91	11	68	28.87	2.2	57		65	94	12	
100.00 (default)	139	59	11	145	100.00	0.5	51		115	79	123	
Total	2,119	1,433	11	1,997	10.51	33.0	60		1,209	61	161	132

31.12.19												
PD range %	Original on-balance sheet gross exposure \$million	Off-balance sheet exposure pre CCF \$million	Average CCF %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ² thousands	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %	Expected loss \$million	Value adjustments and provisions \$million
0.00 to <0.15	71	35	14	73	0.10	2.3	68		9	13	–	
0.15 to <0.25	109	126	22	123	0.26	2.0	58		28	23	–	
0.25 to <0.50	117	103	18	100	0.44	3.1	61		33	33	–	
0.50 to <0.75	92	61	26	85	0.68	1.9	61		35	42	–	
0.75 to <2.50	965	546	9	917	1.77	13.2	64		587	64	10	
2.50 to <10.00	574	371	7	552	5.25	8.1	57		405	73	17	
10.00 to <100.00	65	103	14	68	27.58	2.2	54		58	85	11	
100.00 (default)	89	55	15	97	100.00	0.6	62		142	147	71	
Total	2,082	1,401	12	2,013	8.05	33.3	61		1,299	65	110	81

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3 Credit risk continued

3.3 Credit risk mitigation

Table 40 shows the unfunded credit protection held by the Group, consisting of credit derivatives and guarantees, and funded credit protection, including financial collateral. Exposure class has been defined based on the guarantor of the exposure.

Table 40: CRM techniques – overview (CR3)

		30.06.20				
		Exposures unsecured \$million	Exposures secured \$million	Exposures secured by collateral \$million	Exposures secured by financial guarantees \$million	Exposures secured by credit derivatives \$million
IRB exposure class						
1	Total loans	151,420	139,137	115,902	23,235	–
2	Total debt securities	134,162	2,903	2,217	686	–
3	Total exposures	285,582	142,040	118,119	23,921	–
4	Of which defaulted	5,945	1,430	1,430	–	–
		31.12.19				
		Exposures unsecured \$million	Exposures secured \$million	Exposures secured by collateral \$million	Exposures secured by financial guarantees \$million	Exposures secured by credit derivatives \$million
IRB exposure class						
1	Total loans	169,075	140,564	114,943	25,620	–
2	Total debt securities	135,150	2,463	1,820	643	–
3	Total exposures	304,225	143,027	116,763	26,263	–
4	Of which defaulted	5,939	1,158	1,158	–	–

Table 41: Effect of guarantees and collateral

		30.06.20		31.12.19	
		Exposures covered by unfunded credit protection \$million	Exposures covered by funded credit protection \$million	Exposures covered by unfunded credit protection \$million	Exposures covered by funded credit protection \$million
IRB exposure class					
	Central governments or central banks	5,130	11,189	4,072	12,275
	Institutions	3,995	31,815	5,742	29,796
	Corporates	19,403	84,910	20,209	89,302
	Retail ¹	6	71,113	8	69,910
	Securitisation positions	–	–	–	1,040
	Total IRB	28,533	199,027	30,031	202,323
Standardised exposure class					
	Central governments or central banks	3,263	945	3,003	46
	Multilateral development banks	1,923	–	2,040	–
	Institutions	148	18,542	216	13,233
	Corporates	608	29,093	680	29,320
	Retail ¹	10	1,382	3	1,303
	Secured on real estate property	–	–	–	–
	Exposures in default	–	1	–	3
	Items belonging to regulatory high risk categories	–	37	–	28
	Other items ²	62	–	61	–
	Total standardised	6,014	50,000	6,003	43,933
	Total exposure	34,547	249,027	36,034	246,256

1 The combined retail IRB exposure class includes both retail mortgages (secured by real estate collateral) and other types of retail exposures. The standardised retail exposure class excludes mortgages which are included in a separate class under the heading secured on real estate property

2 Other items include public sector entities

3 Credit risk continued

Table 42 presents the EAD before and after the effect of CRM, including credit substitution and financial collateral, with a further split into on balance-sheet and off-balance sheet exposures. Off-balance sheet exposures are presented before and after the application of standardised CCFs.

Table 42: Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)

30.06.20						
Standardised exposure class	Exposures before CCF and CRM ¹		Exposures post CCF and CRM		RWA and RWA density	
	On-balance sheet \$million	Off-balance sheet \$million	On-balance sheet \$million	Off-balance sheet \$million	RWA \$million	RWA density %
1 Central governments or central banks	20,763	59,772	22,882	507	2,417	10
2 Multilateral development banks	12,955	10,856	14,648	110	–	–
6 Institutions	3,856	1,836	3,435	28	357	10
7 Corporates	19,310	28,077	9,599	675	9,578	93
8 Retail	10,697	9,973	9,501	792	7,141	69
9 Secured on real estate property	8,490	563	8,490	263	3,837	44
10 Exposures in default	326	14	311	8	318	100
11 Items belonging to regulatory high risk categories	810	434	767	173	1,410	150
15 Equity	2,044	–	2,044	–	5,109	250
16 Other items ²	12,644	1,608	12,669	300	8,668	67
17 Total standardised³	91,895	113,133	84,346	2,856	38,835	45

31.12.19						
Standardised exposure class	Exposures before CCF and CRM ¹		Exposures post CCF and CRM		RWA and RWA density	
	On-balance sheet \$million	Off-balance sheet \$million	On-balance sheet \$million	Off-balance sheet \$million	RWA \$million	RWA density %
1 Central governments or central banks	25,508	88,328	27,365	621	4,391	16
2 Multilateral development banks	12,233	9,884	13,962	126	–	–
6 Institutions	4,037	2,079	3,648	29	926	25
7 Corporates	24,819	27,624	13,614	977	13,799	95
8 Retail	13,111	11,052	11,978	854	8,973	70
9 Secured on real estate property	9,595	606	9,593	282	4,616	47
10 Exposures in default	532	12	509	6	515	100
11 Items belonging to regulatory high risk categories	963	380	922	123	1,568	150
15 Equity	1,942	–	1,942	–	4,854	250
16 Other items ²	11,241	269	11,302	184	9,259	81
17 Total standardised	103,981	140,234	94,835	3,202	48,901	50

1 EAD before the effect of collateral and substitution

2 Other items include public sector entities

3 Refer to Table 13 (OV1): standardised approach \$32,015 million and amount below threshold for deduction \$6,821 million RWA

3 Credit risk continued

3.4 Standardised risk weight profile

External ratings, where available, are used to assign risk weights for standardised approach (SA) exposures. These external ratings must come from EU approved rating agencies, known as External Credit Assessment Institutions (ECAI); which currently include Moody's, Standard & Poor's and Fitch. The Group uses the ECAI ratings from these agencies in its day-to-day business, which are tracked and kept updated. Assessments provided by approved ECAI are mapped to credit quality steps as prescribed by the CRR.

The Group currently does not use assessments provided by export credit agencies for the purpose of evaluating RWA in the standardised approach.

The following tables set out EAD and EAD after CRM associated with each risk weight as prescribed in Part Three, Title II, Chapter 2 of the CRR, including credit and counterparty credit risk regulatory risk weights based on the exposure classes applied to unrated exposures.

Table 43: Standardised approach – exposures by asset classes and risk weights (pre CRM pre CCF) (CR5)

		30.06.20														
		Risk weight											Deduc-			
		0%	2%	4%	20%	35%	50%	75%	100%	150%	250%	Others	ted	Total	Of which	
Standardised exposure class																unrated
1	Central governments or central banks	78,505	–	–	29	–	705	–	599	12	685	–	–	80,535	–	
4	Multilateral development banks	23,811	–	–	–	–	–	–	–	–	–	–	–	23,811	–	
6	Institutions	–	2,302	706	375	–	2,070	–	240	–	–	–	–	5,693	3,758	
7	Corporates	–	–	–	1,359	–	289	–	45,739	–	–	–	–	47,387	45,119	
8	Retail	–	–	–	–	–	–	20,670	–	–	–	–	–	20,670	20,600	
9	Secured on real estate property	–	–	–	–	7,603	–	–	1,450	–	–	–	–	9,053	9,052	
10	Exposures in default	–	–	–	–	–	–	–	340	–	–	–	–	340	331	
11	Items belonging to regulatory high risk categories	–	–	–	–	–	–	–	–	1,244	–	–	–	1,244	1,233	
15	Equity	–	–	–	–	–	–	–	–	–	2,044	–	–	2,044	2,044	
16	Other items ¹	5,426	–	–	79	–	–	–	8,691	–	–	–	–	14,251	14,250	
17	Total standardised	107,742	2,302	706	1,842	7,603	3,064	20,670	57,059	1,256	2,729	55	–	205,028	96,387	

		31.12.19														
		Risk weight											Deduc-			
		0%	2%	4%	20%	35%	50%	75%	100%	150%	250%	Others	ted	Total	Of which	
Standardised exposure class																unrated
1	Central governments or central banks	109,384	–	–	24	–	2,494	–	859	13	1,061	–	–	113,835	–	
4	Multilateral development banks	22,117	–	–	–	–	–	–	–	–	–	–	–	22,117	–	
6	Institutions	–	1,305	504	1,341	–	2,490	–	476	–	–	–	–	6,116	3,582	
7	Corporates	–	–	–	1,266	–	265	–	50,912	–	–	–	–	52,443	49,644	
8	Retail	–	–	–	–	–	–	24,163	–	–	–	–	–	24,163	24,097	
9	Secured on real estate property	–	–	–	–	8,133	–	–	2,068	–	–	–	–	10,201	10,199	
10	Exposures in default	–	–	–	–	–	–	–	544	–	–	–	–	544	544	
11	Items belonging to regulatory high risk categories	–	–	–	–	–	–	–	–	1,343	–	–	–	1,343	1,322	
15	Equity	–	–	–	–	–	–	–	–	–	1,942	–	–	1,942	1,942	
16	Other items ¹	1,333	–	–	25	–	–	–	8,195	–	–	1,958	–	11,511	11,510	
17	Total standardised	132,834	1,305	504	2,656	8,133	5,249	24,163	63,054	1,356	3,003	1,958	–	244,215	102,840	

1 Other items include cash, equity holdings, fixed assets, prepayments and accrued income

3 Credit risk continued

Table 44: Standardised approach – exposures by asset classes and risk weights (post CRM post CCF) (CR5)

		30.06.20													
		Risk weight													
Standardised exposure class		0%	2%	4%	20%	35%	50%	75%	100%	150%	250%	Others	Deducted	Total	Of which unrated
1	Central governments or central banks	21,512	–	–	192	–	681	–	308	12	685	–	–	23,390	–
4	Multilateral development banks	14,758	–	–	–	–	–	–	–	–	–	–	–	14,758	–
6	Institutions	–	2,302	706	194	–	34	–	227	–	–	–	–	3,463	3,186
7	Corporates	–	–	–	482	222	98	–	9,472	–	–	–	–	10,274	9,464
8	Retail	–	–	–	–	–	–	10,293	–	–	–	–	–	10,293	10,293
9	Secured on real estate property	–	–	–	–	7,421	–	–	1,332	–	–	–	–	8,753	8,753
10	Exposures in default	–	–	–	–	–	–	–	318	–	–	–	–	318	318
11	Items belonging to regulatory high risk categories	–	–	–	–	–	–	–	–	940	–	–	–	940	939
15	Equity	–	–	–	–	–	–	–	–	–	2,044	–	–	2,044	2,044
16	Other items ¹	4,185	–	–	104	–	–	–	8,625	–	–	55	–	12,969	10,184
17	Total standardised	40,455	2,302	706	972	7,643	813	10,293	20,283	952	2,729	55	–	87,202	45,180

		31.12.19													
		Risk weight													
Standardised exposure class		0%	2%	4%	20%	35%	50%	75%	100%	150%	250%	Others	Deducted	Total	Of which unrated
1	Central governments or central banks	23,788	–	–	180	–	2,522	–	421	13	1,061	–	–	27,986	–
4	Multilateral development banks	14,088	–	–	–	–	–	–	–	–	–	–	–	14,088	–
6	Institutions	–	1,305	504	951	–	456	–	461	–	–	–	–	3,677	2,970
7	Corporates	–	–	–	699	112	66	–	13,714	–	–	–	–	14,591	13,766
8	Retail	–	–	–	–	–	–	12,832	–	–	–	–	–	12,832	12,832
9	Secured on real estate property	–	–	–	–	7,902	–	–	1,973	–	–	–	–	9,875	9,875
10	Exposures in default	–	–	–	–	–	–	–	515	–	–	–	–	515	515
11	Items belonging to regulatory high risk categories	–	–	–	–	–	–	–	–	1,045	–	–	–	1,045	1,044
15	Equity	–	–	–	–	–	–	–	–	–	1,942	–	–	1,942	1,942
16	Other items ¹	1,333	–	–	86	–	–	–	8,109	–	–	1,958	–	11,486	11,425
17	Total standardised	39,209	1,305	504	1,916	8,014	3,044	12,832	25,193	1,058	3,003	1,958	–	98,037	54,369

1 Other items include cash, equity holdings, fixed assets, prepayments and accrued income

4 Traded risk

Traded risk is the potential for loss resulting from activities undertaken by the Group in financial markets. This includes market risk, counterparty credit risk and other risk sub-types.

4.1 Market risk

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

- Trading book: the Group provides clients access to financial markets, facilitation of which entails taking moderate market risk positions. All trading teams support client activity. There are no proprietary trading teams. Hence, income earned from market risk-related activities is primarily driven by the volume of client activity rather than risk-taking
- Non-trading book:
 - The Treasury Markets desk is required to hold a liquid assets buffer, much of which is held in high-quality marketable debt securities
 - The Group has capital invested and related income streams denominated in currencies other than US dollars. To the extent that these are not hedged the Group is subject to structural foreign exchange risk which is reflected in reserves

Interest rate risk from non-trading book portfolios is transferred to local Treasury Markets desks under the supervision of local Asset and Liability Committees. Treasury Markets deals in the market in approved financial instruments in order to manage the net interest rate risk, subject to approved Value at Risk (VaR) and risk limits.

The primary categories of market risk for the Group are:

- Interest rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options
- Foreign exchange rate risk: arising from changes in currency exchange rates and implied volatilities on foreign exchange options
- Commodity risk: arising from changes in commodity prices and implied volatilities on commodity options; covering energy, precious metals, base metals and agriculture as well as commodity baskets
- Equity risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options

Market risk regulatory capital requirements

The PRA specifies minimum capital requirements against market risk in the trading book. Interest rate risk in the non-trading book is covered separately under the Pillar 2 framework.

The PRA has granted the Group permission to use IMA covering the majority of interest rate, foreign exchange, and commodity market risk in the trading book. Positions outside the IMA scope are assessed according to standard PRA rules.

The minimum regulatory market risk capital requirements for the trading book for the Group are presented in the following table.

Table 45: Market risk regulatory capital requirements

	30.06.20		31.12.19	
	Risk weighted assets \$million	Regulatory capital requirement \$million	Risk weighted assets \$million	Regulatory capital requirement \$million
Market risk capital requirements for trading book				
Interest rate ¹	8,297	664	8,751	700
Equity	4	–	9	1
Options	27	2	17	1
Commodity ²	31	2	20	2
Foreign exchange ²	690	55	645	52
Internal Models Approach ³	13,567	1,085	11,364	909
Total	22,616	1,809	20,806	1,664

1 Securitisation positions contributed \$10.5 million to the interest rate position risk requirement (PRR) and \$131.2 million to interest rate RWA as at 30 June 2020 (securitised positions contributed \$27.5 million to the interest rate PRR and \$344.0 million to interest rate RWA as at 31 December 2019)

2 Commodity and foreign exchange cover non-trading book as well as trading book

3 Where the risks are not within the approved scope of the Internal Models Approach, they are captured in the relevant category above based on the standardised approach

4 Traded risk continued

Table 46: Market risk under standardised approach (MR1)

	30.06.20		31.12.19	
	Risk weighted assets \$million	Regulatory capital requirement \$million	Risk weighted assets \$million	Regulatory capital requirement \$million
Outright products				
1 Interest rate risk	8,296	664	8,751	700
2 Equity risk	4	–	9	1
3 Foreign exchange risk	690	55	645	52
4 Commodity risk	31	2	20	2
Options	28	2	17	1
5 Simplified approach	–	–	–	–
6 Delta-plus method	24	2	3	–
7 Scenario approach	4	–	14	1
8 Securitisation (specific risk) ¹	131	10	344	28
9 Total	9,049	724	9,442	755

1 Securitisation (specific risk) is included in the interest rate risk RWA number

Internal Model Approach

The table below shows the average, high and low stressed VaR for the period December 2019 to June 2020 and the actual position on 30 June 2020. The results reflect only the Group portfolio covered by the Internal Model Approach and are calculated at a 99 per cent confidence level.

Table 47: IMA values for trading portfolios (MR3)

	30.06.20 \$million	31.12.19 \$million
VaR (10 day 99%)		
1 Maximum value ¹	127	91
2 Average value	75	38
3 Minimum value ¹	34	25
4 Period end ²	89	38
Stressed VaR (10 day 99%)		
5 Maximum value ¹	225	231
6 Average value	135	146
7 Minimum value ¹	88	96
8 Period end ²	113	159
Incremental risk charge (99.99%)		
9 Maximum value ¹	–	–
10 Average value	–	–
11 Minimum value ¹	–	–
12 Period end ²	–	–
Comprehensive risk capital charge (99.9%)		
13 Maximum value ¹	–	–
14 Average value	–	–
15 Minimum value ¹	–	–
16 Period end ²	–	–

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

2 Actual one day VaR as at period end date

Table 48: Market risk under internal models approach (MR2-A)

	30.06.20		31.12.19	
	Risk weighted assets \$million	Regulatory capital requirement \$million	Risk weighted assets \$million	Regulatory capital requirement \$million
1 VaR (higher of values a and b)	4,351	348	1,786	143
(a) Previous day's VaR	1,119	90	561	45
(b) Average of the daily VaR	4,351	348	1,786	143
2 SVaR (higher of values a and b)	6,095	487	6,226	498
(a) Latest SVaR	1,557	125	2,320	186
(b) Average of the SVaR	6,095	487	6,226	498
5 Other¹	3,122	250	3,352	268
6 Total²	13,567	1,085	11,364	909

1 Other IMA capital add-ons for market risks not fully captured in either VaR or SVaR. More details on Risks not in VaR can be found in the Half Year Report 2020 on page 87

2 There are zero IRC and CRM as the Group has not applied model permission for specific interest rate risk comprehensive risk measure

4 Traded risk continued

Backtesting

In the first half of 2020, there were three regulatory backtesting exceptions at Group level (in the second half of 2019, there were two regulatory backtesting exceptions at Group level). All three exceptions occurred in the period of extreme market volatility triggered by the COVID-19 pandemic.

- 10 March: When markets rallied following the announcement of measures to stimulate the US economy
- 13 March: When markets rallied as the Federal Reserve provided details of US Treasury purchases, and cut interest rates
- 24 March: When markets rallied as US Congress finalised a \$2 trillion package to stimulate the economy, also impacting gold prices

In total, there have been five Group exceptions in the previous 250 business days, which is within the 'amber zone' applied internationally to internal models by bank supervisors (Basel Committee on Banking Supervision, Supervisory framework for the use of backtesting in conjunction with the internal models approach to market risk capital requirements, January 1996).

The graphs below illustrate the performance of the VaR model used in the Group capital calculations. They compare the 99 percentile loss confidence level given by the VaR model with the Hypothetical and Actual P&L of each day given the real market movements. Actual backtesting P&L excludes from trading P&L: brokerage expense, fees & commissions, non-market-related accounting valuation adjustments and accounting debit valuation adjustments. Hypothetical backtesting P&L further excludes P&L from new deals and market operations.

Table 49: June 2020 Backtesting chart for Internal Model Approach regulatory trading book at Group level with hypothetical profit and loss (P&L) versus VaR (99 per cent, one day) (MR4)

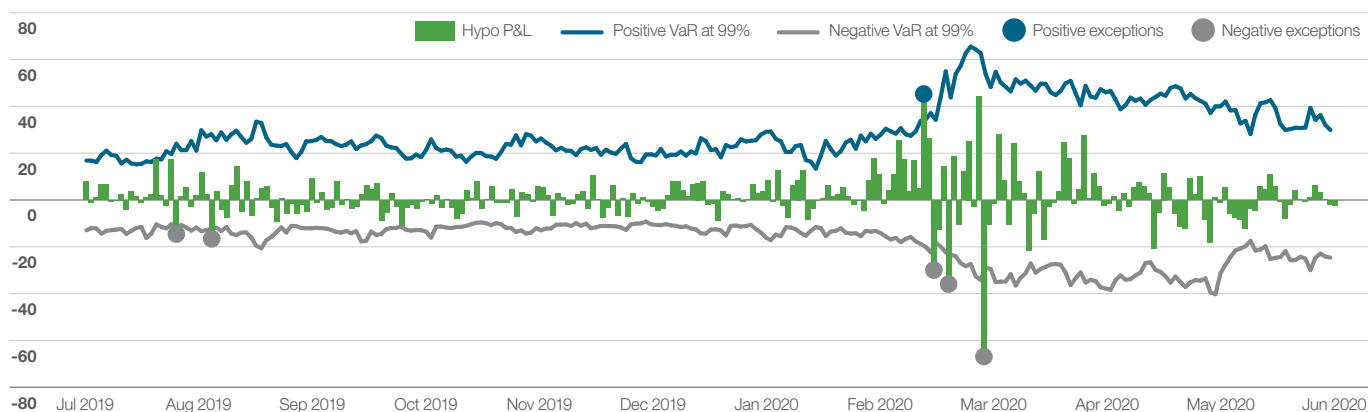
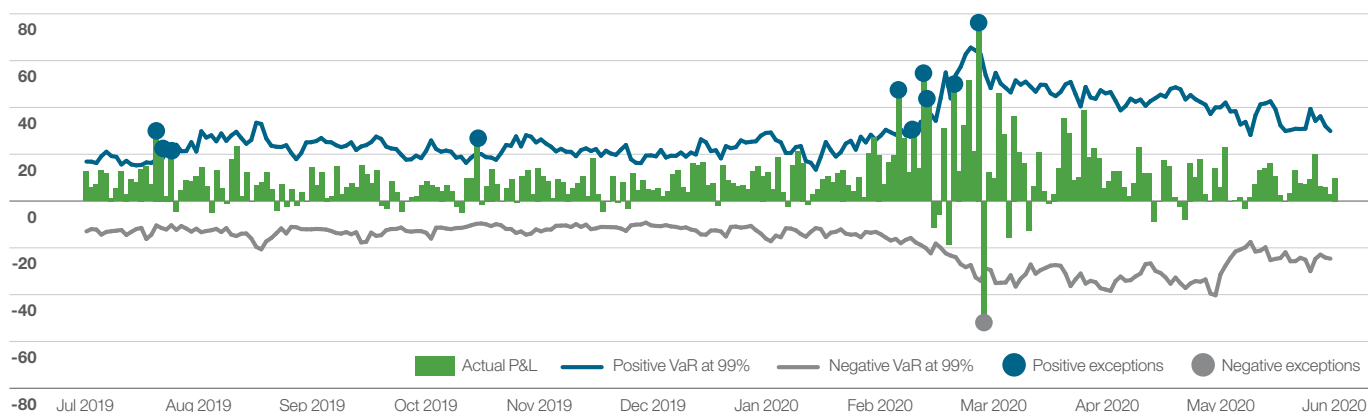


Table 50: June 2020 Backtesting chart for Internal Model Approach regulatory trading book at Group level with actual profit and loss (P&L) versus VaR (99 per cent, one day) (MR4)



4 Traded risk continued

4.2 Counterparty credit risk

Counterparty credit risk (CCR) is the risk that the Group's counterparty in a foreign exchange, interest rate, commodity, equity or credit derivative or repo contract defaults prior to the maturity date of the contract and that the Group at the time has a claim on the counterparty. CCR arises predominantly in the trading book when hedging with external counterparties is required.

CCR is managed within the overall credit risk appetite for corporate and financial institutions. CCR limits are set for individual counterparties, including central clearing counterparties, and for specific portfolios. Individual limits are calibrated to the credit grade and business model of the counterparties, and are set on Potential Future Exposure (PFE). Portfolio limits are set to contain concentration risk across multiple dimensions, and are set on PFE or other equivalent measures.

The Group reduces its credit exposures to counterparties by entering into contractual netting agreements which result in a single amount owed by or to the counterparty. The amount is calculated by netting the mark-to-market (MTM) owed by the counterparty to the Group and the MTM owed by the Group to the counterparty on the transactions covered by the netting agreement. In line with the International Accounting Standard (IAS) 32 principles, the Group's balance sheet will present assets and liabilities on a net basis provided there is a legally enforceable right to set off assets and liabilities, and the Group intends to settle on a net basis or realise the asset and liability simultaneously.

Table 51 shows the credit exposure on derivative transactions after taking into account the benefits from legally enforceable netting agreements and collateral held, including transactions cleared through recognised trading exchanges.

Table 51: Impact of netting and collateral held on exposure values (CCR5-A)

		30.06.20				
		EAD before netting benefit \$million	Netting benefits \$million	Netted current credit exposure \$million	Collateral held \$million	Net credit exposure \$million
1	Derivative contracts	125,919	(87,478)	38,441	(1,815)	36,626
2	Repo style transactions	141,386	–	141,386	(129,422)	11,964
4	Total	267,305	(87,478)	179,827	(131,237)	48,590
		31.12.19				
		EAD before netting benefit \$million	Netting benefits \$million	Netted current credit exposure \$million	Collateral held \$million	Net credit exposure \$million
1	Derivative contracts	78,182	(45,301)	32,881	(1,100)	31,781
2	Repo style transactions	139,202	–	139,202	(128,857)	10,345
4	Total	217,384	(45,301)	172,083	(129,957)	42,126

Derivative contract EAD and netting benefits increased over the period driven by an increase fair value of derivatives, primarily interest rate swaps and FX derivatives.

Table 52 specifies the methods used by the Group to calculate counterparty credit risk regulatory requirements, followed by Table 53 which demonstrates the risk-weighted exposure amounts to central counterparties by derivative types.

Table 52: Analysis of CCR exposures by approach (CCR1)

		30.06.20						
		Notional \$million	Replacement cost/current market value \$million	Potential future exposure \$million	EEPE \$million	Multiplier	EAD post CRM \$million	RWA \$million
Mark-to-market			17,371	26,412			7,774	4,422
Original exposure		N/A					N/A	N/A
Standardised approach					N/A	N/A	N/A	N/A
IMM (for derivatives and SFTs)					14,021	1.6	22,434	10,359
Of which securities financing transactions					N/A	N/A	N/A	N/A
Of which derivatives and long settlement transactions					14,021	1.6	22,434	10,359
Financial collateral simple method (for SFTs)							N/A	N/A
Financial collateral comprehensive method (for SFTs)							101,766	1,878
VaR for SFTs							N/A	N/A
Total								16,659

4 Traded risk continued

Table 52: Analysis of CCR exposures by approach (CCR1) continued

	31.12.19						
	Notional \$million	Replacement cost/current market value \$million	Potential future exposure \$million	EEPE \$million	Multiplier \$million	EAD post CRM \$million	RWA \$million
Mark-to-market		12,196	22,672			5,676	3,000
Original exposure	N/A					N/A	N/A
Standardised approach				N/A	N/A	N/A	N/A
IMM (for derivatives and SFTs)				12,249	1.6	19,599	7,960
Of which securities financing transactions				N/A	N/A	N/A	N/A
Of which derivatives and long settlement transactions				12,249	1.6	19,599	7,960
Financial collateral simple method (for SFTs)						N/A	N/A
Financial collateral comprehensive method (for SFTs)						107,973	2,002
VaR for SFTs						N/A	N/A
Total							12,961

Table 53: Exposures to central counterparties (CCPs) (CCR8)

	30.06.20		31.12.19	
	EAD post CRM \$million	RWA \$million	EAD post CRM \$million	RWA \$million
Exposures to QCCPs				
Trade exposure	9,411	192	7,889	163
Of which OTC derivatives	5,628	117	5,010	106
Of which exchange-traded derivatives	1,971	39	2,074	41
Of which SFTs	1,812	36	805	16
Collateral posted	3,007	74	1,810	46
Prefunded default fund contributions	324	189	332	167
Total	12,742	455	10,031	376

The exposures for collateral posted increased by \$1.2 billion driven by increased margin calls over the first half of 2020 due to an increase in market volatility.

Table 54 indicates the notional amounts of credit derivative transactions segregated between protection bought and sold within each product type.

Table 54: Credit derivatives exposures (CCR6)

	30.06.20			31.12.19		
	Bought \$million	Sold \$million	Total \$million	Bought \$million	Sold \$million	Total \$million
Notionals						
Credit default swaps	63,490	57,418	120,908	42,728	34,897	77,625
Total return swaps	1,080	100	1,180	1,523	664	2,187
Credit options	-	-	-	-	-	-
Other credit derivatives	1,251	-	1,251	1,160	-	1,160
Total notionals	65,821	57,518	123,339	45,411	35,561	80,972
Fair values						
Positive fair value (asset)	343	919	1,262	415	817	1,232
Negative fair value (liability)	1,809	306	2,115	2,389	522	2,911

4 Traded risk continued

Table 55 describes the exposure value subject to credit valuation adjustment charge and related RWA.

Table 55: Credit valuation adjustment (CVA) capital charge (CCR2)

	30.06.20		31.12.19	
	Exposure value \$million	RWA \$million	Exposure value \$million	RWA \$million
1 Total portfolios subject to the advanced method	-	-	-	-
2 (i) VaR component (including the 3x multiplier)	-	-	-	-
3 (ii) Stressed VaR component (including the 3x multiplier)	-	-	-	-
4 All portfolios subject to the standardised method	17,572	2,593	15,619	2,113
5 Total subject to the CVA capital charge	17,572	2,593	15,619	2,113

Table 56 depicts EAD after the effect of collateral associated with each risk weight prescribed in Part Three, Title II, Chapter 2 of the CRR for counterparty credit risk.

Table 56: Standardised approach – CCR exposures by regulatory portfolio and risk (CCR3)

Standardised exposure class	30.06.20													Total	Of which unrated
	Risk weight														
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	Others			
1 Central governments or central banks	313	-	-	-	-	-	-	-	-	-	-	-	-	313	-
4 Multilateral development banks	1,208	-	-	-	-	-	-	-	-	-	-	-	-	1,208	-
6 Institutions	-	9,390	-	-	14	-	-	-	-	-	-	-	-	9,404	-
7 Corporates	-	-	-	-	711	-	7	-	-	299	-	-	-	1,017	371
8 Retail	-	-	-	-	-	-	-	-	3	-	-	-	-	3	3
10a Secured on real estate property	-	-	-	-	-	-	-	-	-	2	-	-	-	2	2
10b Exposures in default	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10c Items belonging to regulatory high risk categories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10d Other items	7	-	-	-	-	-	-	-	-	17	-	-	-	24	17
11 Total Standardised	1,528	9,390	-	-	725	-	7	-	3	318	-	-	-	11,970	393

Standardised exposure class	31.12.19													Total	Of which unrated
	Risk weight														
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	Others			
1 Central governments or central banks	196	-	-	-	-	-	2	-	-	-	-	-	-	197	-
4 Multilateral development banks	985	-	-	-	-	-	-	-	-	-	-	-	-	985	-
6 Institutions	-	7,858	-	-	5	-	9	-	-	-	-	-	-	7,872	-
7 Corporates	-	-	-	-	773	-	3	-	-	268	-	-	-	1,045	339
8 Retail	-	-	-	-	-	-	-	-	1	-	-	-	-	1	1
10a Secured on real estate property	-	-	-	-	-	2	-	-	-	1	-	-	-	3	1
10b Exposures in default	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10c Items belonging to regulatory high risk categories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10d Other items	-	-	-	-	-	-	-	-	-	28	-	-	-	28	28
11 Total Standardised	1,181	7,858	-	-	779	2	13	-	1	298	-	-	-	10,131	370

4 Traded risk continued

Tables 57 to 62 provide further detail on the exposure classes subject to counterparty credit risk, in particular for central governments or central banks, institutions, corporates and retail. These have been split by internal credit grade which relate to the PD ranges presented.

Table 57: IRB – CCR exposures by exposure class

IRB exposure class	30.06.20						
	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ²	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %
Central governments or central banks	16,564	0.20	110	18	0.33	1,321	8
Institutions	35,803	0.20	1,363	13	0.68	3,638	10
Corporates	77,047	0.45	12,444	14	0.54	11,237	15
Of which specialised lending	1,946	4.61	478	33	2.80	1,219	63
Of which SME	33	2.93	289	61	1.44	36	108
Total IRB	129,414	0.35	13,917	14	0.55	16,196	13

IRB exposure class	31.12.19						
	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ²	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %
Central governments or central banks	15,023	0.17	120	10	0.22	831	6
Institutions	34,733	0.13	1,373	13	0.55	2,874	8
Corporates	81,252	0.24	12,035	13	0.44	8,803	11
Of which specialised lending	1,365	1.64	488	37	2.65	787	58
Of which SME	218	0.46	303	66	2.04	150	69
Total IRB	131,008	0.20	13,528	13	0.44	12,508	10

1 Weighted averages are based on EAD

2 Number of obligors is based on number of counterparties within each PD grade

Table 58: IRB – CCR exposures by PD scale for central governments or central banks (CCR4)

PD range %	30.06.20						
	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ²	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %
0.00 to < 0.15	14,727	0.03	55	15	0.18	232	2
0.15 to < 0.25	472	0.22	7	45	0.22	123	26
0.25 to < 0.50	87	0.51	6	45	0.07	39	44
0.50 to < 0.75	–	–	4	–	–	–	–
0.75 to < 2.50	1,215	2.04	24	45	2.06	847	70
2.50 to < 10.00	62	3.67	7	45	2.59	80	128
10.00 to < 100.00	–	13.77	7	64	1.00	–	299
100.00 (default)	–	–	–	–	–	–	–
Total	16,564	0.20	110	18	0.33	1,321	8

PD range %	31.12.19						
	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ²	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %
0.00 to < 0.15	13,585	0.04	60	7	0.21	180	1
0.15 to < 0.25	521	0.22	6	45	0.15	132	25
0.25 to < 0.50	76	0.39	8	45	0.20	29	39
0.50 to < 0.75	–	–	2	–	–	–	–
0.75 to < 2.50	820	2.26	26	42	0.41	459	56
2.50 to < 10.00	21	3.51	11	45	3.75	29	142
10.00 to < 100.00	–	13.77	7	45	5.00	–	255
100.00 (default)	–	–	–	–	–	–	–
Total	15,023	0.17	120	10	0.22	831	6

1 Weighted averages are based on EAD

2 Number of obligors is based on number of counterparties within each PD grade

4 Traded risk continued

Table 59: IRB – CCR exposures by PD scale for institutions (CCR4)

30.06.20							
PD range %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ²	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %
0.00 to < 0.15	27,463	0.06	690	14	0.73	1,986	7
0.15 to < 0.25	2,953	0.22	113	12	0.57	373	13
0.25 to < 0.50	2,914	0.48	160	10	0.39	456	16
0.50 to < 0.75	129	0.67	44	25	1.02	64	50
0.75 to < 2.50	2,337	1.42	317	12	0.50	746	32
2.50 to < 10.00	6	4.40	12	45	2.37	9	154
10.00 to < 100.00	1	32.60	27	45	1.00	1	272
100.00 (default)	1	100.00	–	45	1.64	1	268
Total	35,803	0.20	1,363	13.48	0.68	3,638	10

31.12.19							
PD range %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ²	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %
0.00 to < 0.15	29,503	0.05	676	14	0.55	1,681	6
0.15 to < 0.25	2,502	0.22	109	10	0.59	267	11
0.25 to < 0.50	1,271	0.46	169	12	0.42	232	18
0.50 to < 0.75	142	0.67	45	15	0.67	40	28
0.75 to < 2.50	1,311	1.27	326	17	0.76	647	49
2.50 to < 10.00	5	7.19	32	43	1.40	8	161
10.00 to < 100.00	–	13.77	16	45	1.00	–	237
100.00 (default)	–	–	–	–	–	–	–
Total	34,733	0.13	1,373	13	0.55	2,874	8

1 Weighted averages are based on EAD

2 Number of obligors is based on number of counterparties within each PD grade

Table 60: IRB – CCR exposures by PD scale for corporates (CCR4)

30.06.20							
PD range %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ²	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %
0.00 to < 0.15	50,628	0.06	4,886	11	0.37	2,454	5
0.15 to < 0.25	4,096	0.22	1,697	34	1.54	1,456	36
0.25 to < 0.50	12,095	0.44	2,053	13	0.64	2,083	17
0.50 to < 0.75	3,569	0.67	691	19	0.70	1,069	30
0.75 to < 2.50	6,015	1.12	1,846	21	0.95	2,619	44
2.50 to < 10.00	175	4.88	546	50	1.46	285	163
10.00 to < 100.00	216	19.49	394	54	1.30	597	276
100.00 (default)	117	100.00	269	53	1.49	556	476
Total	76,911	0.45	12,382	14	0.54	11,120	14

31.12.19							
PD range %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ²	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	+RWA density ¹ %
0.00 to < 0.15	57,627	0.05	4,583	10	0.32	2,569	4
0.15 to < 0.25	3,490	0.22	1,634	36	1.52	1,271	36
0.25 to < 0.50	13,213	0.44	2,069	12	0.52	2,031	15
0.50 to < 0.75	2,253	0.67	662	19	0.75	628	28
0.75 to < 2.50	4,386	1.09	1,978	21	0.60	1,806	41
2.50 to < 10.00	129	4.83	495	45	1.82	196	153
10.00 to < 100.00	78	17.28	293	59	1.84	219	280
100.00 (default)	13	100.00	262	38	1.77	32	255
Total	81,189	0.24	11,975	13	0.44	8,752	11

1 Weighted averages are based on EAD

2 Number of obligors is based on number of counterparties within each PD grade

4 Traded risk continued

Table 61: IRB – CCR exposures by PD scale for corporates – specialised lending (CCR4)

30.06.20							
PD range %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ²	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %
0.00 to < 0.15	268	0.13	44	28	3.26	64	24
0.15 to < 0.25	320	0.22	31	28	3.72	112	35
0.25 to < 0.50	361	0.45	92	45	2.10	206	57
0.50 to < 0.75	125	0.67	49	49	1.86	94	76
0.75 to < 2.50	641	1.55	137	33	3.05	471	73
2.50 to < 10.00	14	5.05	18	34	1.42	14	103
10.00 to < 100.00	10	29.28	18	28	3.21	14	139
100.00 (default)	71	100.00	27	37	1.42	125	176
Total	1,810	4.88	416	35	2.85	1,101	61

31.12.19							
PD range %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ²	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %
0.00 to < 0.15	199	0.12	48	30	2.90	45	22
0.15 to < 0.25	272	0.22	37	35	3.33	102	38
0.25 to < 0.50	430	0.48	102	41	2.24	235	55
0.50 to < 0.75	78	0.67	44	50	1.67	59	76
0.75 to < 2.50	288	1.69	139	39	2.78	252	88
2.50 to < 10.00	15	5.67	24	28	3.77	14	92
10.00 to < 100.00	11	32.51	10	34	2.44	16	136
100.00 (default)	9	100.00	24	27	1.68	13	146
Total	1,302	1.68	428	38	2.67	736	57

1 Weighted averages are based on EAD

2 Number of obligors is based on number of counterparties within each PD grade

Table 62: IRB – CCR exposures by PD scale for corporates – SME (CCR4)

30.06.20							
PD range %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ²	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %
0.00 to < 0.15	–	0.09	11	67	1.00	–	17
0.15 to < 0.25	1	0.24	38	83	1.20	1	49
0.25 to < 0.50	–	0.50	36	52	1.15	–	44
0.50 to < 0.75	2	0.67	14	66	1.00	1	76
0.75 to < 2.50	24	1.64	79	63	1.36	27	112
2.50 to < 10.00	4	4.34	53	61	1.03	6	139
10.00 to < 100.00	2	24.57	15	11	4.55	1	52
100.00 (default)	–	100.00	43	54	1.00	–	635
Total	33	2.93	289	61	1.44	36	108

31.12.19							
PD range %	EAD post CRM and post CCF \$million	Average PD ¹ %	Number of obligors ²	Average LGD ¹ %	Average maturity ¹ years	RWA \$million	RWA density ¹ %
0.00 to < 0.15	–	0.09	2	67	1.00	–	17
0.15 to < 0.25	194	0.22	51	64	2.03	102	53
0.25 to < 0.50	1	0.41	34	63	1.14	1	50
0.50 to < 0.75	1	0.67	13	69	2.05	–	97
0.75 to < 2.50	19	2.01	99	86	2.30	42	219
2.50 to < 10.00	3	4.90	47	60	1.69	5	152
10.00 to < 100.00	–	16.54	12	77	1.00	–	319
100.00 (default)	–	100.00	45	70	1.00	–	343
Total	218	0.46	303	66	2.04	150	69

1 Weighted averages are based on EAD

2 Number of obligors is based on number of counterparties within each PD grade

5 Forward-looking statements

This document may contain 'forward-looking statements' that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as 'may', 'could', 'will', 'expect', 'intend', 'estimate', 'anticipate', 'believe', 'plan', 'seek', 'continue' or other words of similar meaning. By their very nature, such statements are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. The factors that could cause actual results to differ materially from those described in the forward-looking statements include (but are not limited to) changes in global, political, economic, business, competitive, market and regulatory forces or conditions, future exchange and interest rates, changes in tax rates, future business combinations or dispositions and other factors specific to the Group. Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Group and should not be taken as a representation that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. Each forward-looking statement speaks only as of the date of the particular statement.

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Annex 1

COVID-19 disclosures

On 2 June 2020, the EBA issued Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07). These Guidelines followed the implementation of a broad range of measures, such as legislative moratoria on loan repayments and public guarantees in Member States. These additional reporting and disclosure requirements are expected to be time-limited as they are introduced strictly in the context of the COVID-19 pandemic.

The tables below provide a summary view of the credit quality, volume and maturity of loans and advances subject to moratoria as well as an overview of the stock of newly originated loans and advances subject to public guarantee schemes introduced in response to the COVID-19 crisis.

Table 63: Information on loans and advances subject to legislative and non-legislative moratoria

		30.06.20						
		Gross carrying amount						
		Performing exposures				Non-performing exposures		
				Of which: exposures with forbearance measures \$million	Of which: Instruments with significant increase in credit risk since initial recognition but not credit- impaired (Stage 2) \$million		Of which: exposures with forbearance measures \$million	Of which: Unlikely to pay that are not past-due or past-due <= 90 days \$million
		\$million	\$million	\$million	\$million	\$million	\$million	\$million
1	Loans and advances subject to moratorium	14,484	14,315	236	2,453	168	109	124
2	of which: Households	6,070	5,948	13	697	123	104	114
3	of which: Collateralised by residential immovable property	5,055	5,033	10	677	22	4	15
4	of which: Non-financial corporations	7,814	7,768	220	1,491	45	5	10
5	of which: Small and Medium-sized Enterprises	1,496	1,485	3	209	12	3	4
6	of which: Collateralised by commercial immovable property	2,399	2,392	3	140	8	1	4

		Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing exposures				Non-performing exposures			
				Of which: exposures with forbearance measures \$million	Of which: Instruments with significant increase in credit risk since initial recognition but not credit- impaired (Stage 2) \$million		Of which: Unlikely to pay that are not past-due or past-due <= 90 days \$million	Inflows to non-performing exposures \$million	
		\$million	\$million	\$million	\$million	\$million	\$million	\$million	
1	Loans and advances subject to moratorium	(260)	(188)	(2)	(161)	(72)	(24)	(28)	–
2	of which: Households	(191)	(164)	(1)	(149)	(27)	(23)	(27)	–
3	of which: Collateralised by residential immovable property	(20)	(16)	–	(15)	(4)	(1)	(3)	–
4	of which: Non-financial corporations	(43)	(24)	(1)	(11)	(19)	(1)	(1)	–
5	of which: Small and Medium-sized Enterprises	(14)	(13)	–	(5)	(2)	(1)	(1)	–
6	of which: Collateralised by commercial immovable property	(2)	(1)	–	(0)	–	–	–	–

Annex 1 continued

Table 64: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

		30.06.20							
		Gross carrying amount							
		Residual maturity of moratoria							
	Number of obligors thousands	\$million	Of which: legislative moratoria \$million	Of which: expired \$million	<= 3 months \$million	> 3 months <= 6 months \$million	> 6 months <= 9 months \$million	> 9 months <= 12 months \$million	> 1 year \$million
1	Loans and advances for which moratorium was offered	378	16,774						
2	Loans and advances subject to moratorium (granted)	327	14,484	4,109	4,160	2,999	6,496	94	431
3	of which: Households		6,070	3,182	1,303	1,003	3,423	44	276
4	of which: Collateralised by residential immovable property		5,055	2,584	1,059	501	3,184	42	269
5	of which: Non-financial corporations		7,814	822	2,822	1,808	2,714	32	155
6	of which: Small and Medium-sized Enterprises		1,497	451	300	344	822	2	6
7	of which: Collateralised by commercial immovable property		2,401	432	1,398	81	906	–	–

Table 65: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

		30.06.20			
		Gross carrying amount	Of which: forborne \$million	Maximum amount of the guarantee that can be considered	Gross carrying amount
		\$million	\$million	Public guarantees received \$million	Inflows to non-performing exposures \$million
1	Newly originated loans and advances subject to public guarantee schemes	104	–	102	–
2	of which: Households	28			–
3	of which: Collateralised by residential immovable property	–			–
4	of which: Non-financial corporations	7	–	6	–
5	of which: Small and Medium-sized Enterprises	76			–
6	of which: Collateralised by commercial immovable property	–			–

Acronyms

ABS	Asset Backed Securities	IRB	Internal Ratings Based
AIRB	Advanced Internal Rating Based approach	IRC	Incremental Risk Charge
ALCO	Asset and Liability Committee	IRR	Interest Rate Risk
ALM	Asset and Liability Management	LCR	Liquidity Coverage Ratio
AT1	Additional Tier 1	LGD	Loss Given Default
BCBS	Basel Committee on Banking Supervision	MAC	Model Assessment Committee
BOU	Bank of Uganda	MAS	Monetary Authority of Singapore
BRC	Board Risk Committee	MDB	Multilateral Development Banks
CCF	Credit Conversion Factor	MR	Market Risk
CCP	Central Counterparty	MREL	Minimum requirements for own funds and eligible liabilities
CCR	Counterparty Credit Risk	MTM	Mark-to-market
CCyB	Countercyclical capital buffer	NII	Net Interest Income
CDOs	Collateralised Debt Obligations	NSFR	Net Stable Funding Ratio
CDS	Credit Default Swap	O-SII	Other Systemically Important Institution
CET1	Common Equity Tier 1	OBSC	Operational Balance Sheet Committee
CMBS	Commercial Mortgage Backed Securities	OTC	Over the counter
CQS	Credit Quality Step	PD	Probability of Default
CPM	Credit & Portfolio Management	PFE	Potential Future Exposure
CRD	Capital Requirements Directive	PIP	Portfolio Impairment Provision
CRM	Credit Risk Mitigation	PIT	Point in Time
CRO	Chief Risk Officer	PM	Portfolio Management
CRR	Capital Requirements Regulation	PRA	Prudential Regulation Authority
CSA	Credit Support Annex	PV01	Present Value 01
CSDG	Capital Structuring & Distribution Group	PVA	Prudent Valuation Adjustment
CVA	Credit Valuation Adjustment	QCCP	Qualifying Central Counterparty
D-SIB	Domestic Systemically Important Bank	QRRE	Qualifying Revolving Retail Exposure
DVA	Debit Valuation Adjustment	RMB	Renminbi
EAD	Exposure at default	RMBS	Residential Mortgage Backed Securities
EBA	European Banking Authority	RNIV	Risk not in VaR
ECAI	External Credit Assessment Institutions	RTS	Regulatory Technical Standards
EL	Expected loss	RWAs	Risk-Weighted Assets
FCA	Financial Conduct Authority	SA	Standardised Approach
FIRB	Foundation Internal Ratings Based approach	SFT	Securities Financing Transactions
FPC	Financial Policy Committee	SIF	Significant Influence Function
FSB	Financial Stability Board	SME	Small and Medium sized Enterprise
FSS	Financial Supervisory Service (South Korea)	SPE	Special Purpose Entity
FVA	Funding valuation adjustments	SVAR	Stressed VaR
GCRO	Group Chief Risk Officer	T1	Tier 1 capital
G-SIB	Global Systemically Important Bank	T2	Tier 2 capital
G-SII	Global Systemically Important Institutions	TC	Total capital
HKMA	Hong Kong Monetary Authority	TLAC	Total loss-absorbing capacity
IAS	International Accounting Standard	TM	Treasury Markets
ICAAP	Internal Capital Adequacy Assessment Process	TRS	Total Return Swap
ILAAP	Internal Liquidity Adequacy Assessment Process	TTC	Through the cycle
IFRS	International Financial Reporting Standards	VaR	Value at Risk
IIP	Individually assessed loan impairment provisions	VBC	Valuation and Benchmarks Committee
IMA	Internal Model Approach	XVA	Credit and Funding Valuation Adjustment
IMM	Internal Model Method		

Glossary

Additional Tier 1 (AT1) capital	Additional Tier 1 capital consists of instruments issued by the bank and related share premium other than Common Equity Tier 1 that meet the Capital Requirement Regulation (CRR) criteria for inclusion in Tier 1 capital.
Advanced Internal Rating Based (AIRB) approach	The AIRB approach under the Basel framework is used to calculate credit risk capital based on the Group's own estimates of prudential parameters.
Arrears	A debt or other financial obligation is considered to be in a state of arrears when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as 'delinquency'.
Available-for-Sale	Non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables; held to maturity investments, or financial assets at fair value through profit or loss.
ASEAN	Association of South East Asian Nations (ASEAN) which includes the Group's operation in Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.
ASEAN & South Asia (ASA)	ASEAN & South Asia (ASA) includes Australia, Bangladesh, Brunei, Cambodia, India, Indonesia, Laos, Malaysia, Myanmar, Nepal, Philippines, Singapore, Sri Lanka, Thailand and Vietnam.
Asset Backed Securities (ABS)	Securities that represent an interest in an underlying pool of referenced assets. The referenced pool can comprise any assets which attract a set of associated cashflows but are commonly pools of residential or commercial mortgages and in the case of Collateralised Debt Obligations (CDOs), the reference pool may be ABS.
Attributable profit to ordinary shareholders	Profit for the year after non-controlling interests and the declaration of dividends on preference shares classified as equity.
Backtesting	A statistical technique used to monitor and assess the accuracy of a model, and how that model would have performed had it been applied in the past.
Basel II	The capital adequacy framework issued by the Basel Committee on Banking Supervision (BCBS) in June 2006 in the form of the 'International Convergence of Capital Measurement and Capital Standards'.
Basel III	In December 2010, the BCBS issued the Basel III rules text, which were updated in June 2011, and represents the details of strengthened global regulatory standards on bank capital adequacy and liquidity. The new requirements have been phased in and will be fully implemented by 1 January 2019. In December 2017, the BCBS published a document setting out the finalisation of the Basel III framework. The new requirements issued in December 2017 will be implemented from 2022.
Basis point (bps)	One hundredth of a per cent (0.01 per cent); 100 basis points is 1 per cent. Used in quoting movements e.g. in interest rates or yields on securities.
Capital conservation buffer	A capital buffer prescribed by regulators under Basel III and designed to ensure banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred. Should a bank's CET1 capital fall within the capital conservation buffer range, capital distributions will be constrained by the regulators.
Capital Requirements Directive (CRD)	A capital adequacy legislative package adopted by EU member states. CRD IV comprises the recast Capital Requirements Directive and the Capital Requirements Regulation (CRR). The package implements the Basel III framework together with transitional arrangements for some of its requirements. CRD IV came into force on 1 January 2014.
Central Counterparty (CCP)	A CCP is a clearing house that acts as an intermediary between counterparties for certain products that are traded in one or more financial markets.
Common Equity Tier 1 (CET1) capital	Common Equity Tier 1 capital consists of the common shares issued by the bank and related share premium, retained earnings, accumulated other comprehensive income and other disclosed reserves, eligible non-controlling interests and regulatory adjustments required in the calculation of Common Equity Tier 1.
Common Equity Tier 1 ratio	Common Equity Tier 1 capital as a percentage of risk-weighted assets.
Countercyclical capital buffer (CCyB)	The countercyclical capital buffer is part of a set of macroprudential instruments, designed to help counter pro-cyclicality in the financial system. CCyB as defined in the Basel III standard provides for an additional capital requirement of up to 2.5 per cent of risk-weighted assets in a given jurisdiction. The Bank of England's Financial Policy Committee has the power to set CCyB rate for the United Kingdom. Each bank must calculate its 'institution-specific' CCyB rate, defined as the weighted average of the CCyB rates in effect across the jurisdictions in which it has credit exposures. The institution-specific CCyB rate is then applied to a bank's total risk weighted assets.
Counterparty credit risk (CCR)	The risk that a counterparty defaults before satisfying its obligations under a derivative, a securities financing transaction (SFT) or a similar contract.
CRD IV	A capital adequacy legislative package adopted by EU member states. CRD IV comprises the recast Capital Requirements Directive and the Capital Requirements Regulation (CRR). The package implements the Basel III framework together with transitional arrangements for some of its requirements. CRD IV came into force on 1 January 2014. CRR II and CRD V amending the existing package came into force in June 2019 with most changes starting to apply from 28 June 2021.
Credit Conversion Factor (CCF)	Either prescribed by CRR or modelled by the bank, an estimate of the amount the Group expects a customer to have drawn further on a facility limit at the point of default.
Credit Default Swap (CDS)	A derivative contract where a buyer pays a fee to a seller in return for receiving a payment in the event of a credit event (for example, bankruptcy, payment default on a reference asset or assets, or downgrades by an rating agency) on an underlying obligation.
Credit quality step (CQS)	Credit Quality Steps (CQS) are used to derive the risk-weight to be applied to exposures treated under the standardised approach to credit risk.

Glossary continued

Credit risk	Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the Group in accordance with agreed terms.
Credit risk mitigation (CRM)	Credit risk mitigation is a process to mitigate potential credit losses from any given account, customer or portfolio by using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and guarantees.
Credit support annex (CSA)	A legal document that regulates the exchange of collateral between the parties of OTC derivative transactions.
Credit Valuation Adjustment (CVA)	In the context of prudential requirements, additional regulatory capital charge that covers the risk of mark-to-market losses associated with changes in the creditworthiness of counterparties to derivative transactions.
Debit Valuation Adjustment (DVA)	In the context of prudential requirements, adjustment required to Tier 1 capital to derecognise any unrealised fair value gains and losses associated with fair valued liabilities that are attributable to the market's perception of the Group's credit worthiness.
Domestic systemically important banks (D-SIB)	Domestic systemically important banks are deemed systemically relevant for the domestic financial system in which they operate. The FSB and the BCBS have developed a framework for identifying and dealing with D-SIBs. The D-SIB framework has been implemented in the EU via CRD IV which refers to D-SIBs as Other Systemically Important Institutions (O-SIIs).
Equity price risk	The financial risk involved in holding equity in a particular investment. Arises from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options.
Expected Loss (EL)	The Group measure of anticipated loss for exposures captured under an internal ratings based credit risk approach for capital adequacy calculations. It is measured as the Group-modelled view of anticipated loss based on Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), with a one-year time horizon.
Exposure	Credit exposures represent the amount lent to a customer, together with any undrawn commitment.
Exposure at default (EAD)	The estimation of the extent to which the Group may be exposed to a customer or counterparty in the event of, and at the time of, that counterparty's default. At default, the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit.
External Credit Assessment Institutions (ECAI)	For the standardised approach to credit risk for sovereigns, corporates and institutions, external ratings are used to assign risk-weights. These external ratings must come from credit rating agencies that are registered or certified in accordance with the credit rating agencies (CRA) regulation or from a central bank issuing credit ratings which is exempt from the application this regulation.
Fair value	The value of an asset or liability when it is transacted on an arm's length basis between knowledgeable and willing parties.
Financial Policy Committee (FPC)	The Financial Policy Committee is an independent committee at the Bank of England that has the primary objective of identifying, monitoring and taking action to remove or reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system. The FPC's secondary objective is to support the economic policy of the Government.
Foreseeable dividends net of scrip	Includes both ordinary and preference share dividends reasonably expected to be paid out of any future residual interim or year-end profits. In the case of ordinary dividends, the amount of foreseeable dividends deducted from the interim or year-end profits is equal to the amount of interim or year-end profits multiplied by the dividend payout ratio. In the case of preference share dividends, the amount of foreseeable dividends is equal to the amount accrued during the relevant reporting period payable at a future date.
Foundation Internal Ratings Based (FIRB) Approach	A method of calculating credit risk capital requirements using internal PD models but with supervisory estimates of LGD and conversion factors for the calculation of EAD.
Free delivery	When a bank takes receipt of a debt or equity security, a commodity or foreign exchange without making immediate payment, or where a bank delivers a debt or equity security, a commodity or foreign exchange without receiving immediate payment.
Funding valuation adjustments (FVA)	FVA reflects an adjustment to fair value in respect of derivative contracts associated with the funding costs that the market participant would incorporate when determining an exit price.
Greater China	Greater China includes the Group's operation in the People's Republic of China, the Hong Kong Special Administrative Region of the People's Republic of China and Taiwan.
Greater China & North Asia (GCNA)	Greater China & North Asia (GCNA) includes China, Hong Kong, Japan, Korea, Macau and Taiwan.
Global Systemically Important Bank (G-SIB)	Global financial institutions whose size, complexity and systemic interconnectedness mean that their distress or failure would cause significant disruption to the wider financial system and economic activity. The Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS) have established a methodology to identify G-SIBs based on 12 principal indicators. The list of G-SIBs is re-assessed through annual re-scoring of banks and a triennial review of the methodology. The G-SIB framework established by the FSB and the BCBS is implemented in the EU via CRD IV and G-SIBs are referred to as Global Systemically Important Institutions (G-SIIs).
G-SIB buffer	A CET1 capital buffer which results from designation as a G-SIB. The G-SIB buffer is between 1 per cent and 3.5 per cent, dependent on the allocation to one of five buckets based on the annual scoring. In the EU, the G-SIB buffer is implemented via CRD IV as Global Systemically Important Institutions (G-SII) buffer requirement.
Haircut	A haircut, or volatility adjustment, ensures the value of exposures and collateral are adjusted to account for the volatility caused by foreign exchange or maturity mismatches, when the currency and maturity of an exposure differ materially to the currency and maturity of the associated collateral.
Held-to-maturity	Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the intention and ability to hold to maturity.

Glossary continued

Impaired loans	Loans where individually identified impairment provisions have been raised. Also includes loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.
Individually assessed loan impairment provisions (IIP)	Impairment is measured for assets that are individually significant to the Group. Typically, assets within the Corporate & Institutional Banking segment of the Group are assessed individually.
Individual capital guidance	Guidance given by the PRA to the Group about the amount and quality of capital resources to maintain.
Individual impairment charge	The amount of individually assessed loan impairment provisions that are charged to the income statement in the reporting period.
Individual liquidity guidance	Guidance given by the PRA to the Group about the amount, quality and funding profile of liquidity resources to maintain.
Institution	A credit institution or an investment firm as defined under the Capital Requirement Regulation (CRR).
Internal Capital Adequacy Assessment Process (ICAAP)	A requirement on institutions under Pillar 2 of the Basel framework to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks.
Internal Liquidity Adequacy Assessment Process (ILAAP)	A requirement on institutions under Pillar 2 of the Basel framework to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of liquidity to be held against these risks.
Internal Model Approach (IMA)	The approach used to calculate market risk capital and RWA with an internal market risk model approved by the PRA under the terms of CRD IV/CRR.
Interest Rate Risk (IRR)	Interest rate risk arises due to the investment into rate-sensitive assets, as well as from mismatches between debt issuance and placements.
Internal ratings- based approach (IRB)	Risk-weighting methodology in accordance with the Basel Capital Accord where capital requirements are based on a firm's own estimates of prudential parameters.
Items belonging to regulatory high-risk categories	In relation to the standardised approach to credit risk, items which attract a risk-weight of 150 per cent. This includes exposures arising from venture capital business and certain positions in collective investment schemes.
Leverage ratio	A ratio introduced under Basel III / CRD IV that compares Tier 1 capital to total exposures, including certain exposures held off-balance sheet as adjusted by stipulated credit conversion factors. Intended to be a simple, non-risk based backstop measure.
Liquidity Coverage Ratio (LCR)	The ratio of the stock of high quality liquid assets to expected net cash outflows over the following 30 days. High quality liquid assets should be unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible.
Loans and advances	This represents lending made under bilateral agreements with customers entered into in the normal course of business and is based on the legal form of the instrument.
Loss Given Default (LGD)	The percentage of an exposure that a lender expects to lose in the event of obligor default.
Mark-to-market approach	One of the approaches available to banks to calculate the exposure value associated with derivative transactions. The approach calculates the current replacement cost of derivative contracts, by determining the market value of the contract and considering any potential future exposure.
Market risk	The potential for loss of earnings or economic value due to adverse changes in financial market rates or prices.
Maturity	The time from the reporting date to the contractual maturity date of an exposure, capped at five years. Maturity is considered as part of the calculation of risk-weights for the Group's exposures treated under the IRB approach to credit risk.
MENAP	Middle East, North Africa and Pakistan (MENAP) includes the Group's operation in Afghanistan, Bahrain, Egypt, Islamic Republic of Iran, Iraq, Jordan, Lebanon, Oman, Pakistan, Occupied Palestinian Territory, Qatar, Saudi Arabia and United Arab Emirates (UAE).
Minimum capital requirement	Minimum capital required to be held for credit, market and operational risk.
Model validation	The process of assessing how well a model performs using a predefined set of criteria including the discriminatory power of the model, the appropriateness of the inputs, and expert opinion.
MREL or minimum requirement for own fund and eligible liabilities	A requirement under the Bank Recovery and Resolution Directive for EU resolution authorities to set a minimum requirement for own funds and eligible liabilities for banks, implementing the FSB's Total Loss-Absorbing Capacity (TLAC) standard. MREL is intended to ensure there is sufficient equity and specific types of liabilities to facilitate an orderly resolution that minimises any impact on financial stability and ensures the continuity of critical functions and avoids exposing taxpayers to loss.
Multilateral Development Banks (MDB)	An institution created by a group of countries to provide financing for the purpose of development. Under the standardised approach to credit risk, eligible multilateral development banks attract a zero per cent risk-weight.
Net stable funding ratio (NSFR)	The ratio of available stable funding to required stable funding over a one year time horizon, assuming a stressed scenario. It is a longer-term liquidity measure designed to restrain the amount of wholesale borrowing and encourage stable funding over a one year time horizon.
North East (NE) Asia	North East (NE) Asia includes the Group's operation in the Republic of Korea and Japan.
Operational risk	The potential for loss arising from the failure of people, process or technology, or the impact of external events.
Over-the-Counter (OTC) traded products/OTC derivatives	A bilateral transaction that is not exchange traded and is valued using valuation models.

Glossary continued

Pillar 1	The first Pillar of the three pillars of Basel framework which provides the approach to the calculation of the minimum capital requirements for credit, market and operational risk. Minimum capital requirements are 8 per cent of the Group's risk-weighted assets.
Pillar 2	The second pillar of the three pillars of Basel framework which requires banks to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other suitable mitigants are not available.
Pillar 3	The third pillar of the three pillars of Basel framework which aims to provide a consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk practices.
Point in time (PIT)	Considers the economic conditions at the point in the economic cycle at which default occurs when estimating the probability of default.
Portfolio Impairment Provision (PIP)	The amount of loan impairment provisions assessed on the collective portfolio that are charged to the income statement in the reporting period.
Potential Future Exposure (PFE)	An estimate of the potential increase in exposure that may arise on a derivative contract prior to default, used to derive the exposure amount.
Probability of Default (PD)	PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation within 12 months.
Present Value 01 (PV01)	This represents the change in present value of an asset or liability for a 1 basis point change in the nominal yield curve.
Prudential Regulatory Authority (PRA)	The Prudential Regulation Authority is the statutory body responsible for the prudential supervision of banks, building societies, credit unions, insurers and a small number of significant investment firms in the UK. The PRA is a part of the Bank of England.
Prudent Valuation Adjustment (PVA)	An adjustment to CET1 capital, to reflect the difference between the accounting fair value and the regulatory prudent value of positions, where the application of prudence results in a lower absolute carrying value than recognised in the financial statements.
Qualifying Central Counterparty (QCCP)	Central counterparty that is either authorised (when established in the EU) or recognised (when established in a third-country) in accordance with the rules laid down in the European Market Infrastructure Regulation (EMIR).
Qualifying Revolving Retail Exposure (QRRE)	Retail IRB exposures that are revolving, unsecured, and, to the extent they are not drawn, immediately and unconditionally cancellable, such as credit cards.
Regulatory capital	Sum of Tier 1 and Tier 2 capital after regulatory adjustments.
Repurchase agreement (repo) / reverse repurchase agreement (reverse repo)	A short-term funding agreement which allows a borrower to sell a financial asset, such as ABS or Government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.
Residential Mortgage-Backed Securities (RMBS)	Securities that represent interests in a group of residential mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Residual maturity	The remaining maturity of a facility from the reporting date until either the contractual maturity of the facility or the effective maturity date.
Retail Internal Ratings Based (Retail IRB) Approach	In accordance with the PRA handbook and CRR, the approach to calculating credit risk capital requirements for eligible retail exposures.
Risk appetite	Risk appetite is defined by the Group and approved by the Board. It is the maximum amount and type of risk the Group is willing to assume in pursuit of its strategy.
Risk capacity	The maximum level of risk the Group can assume, given its current capabilities and resources, before breaching constraints determined by capital and liquidity requirements and internal operational capability (including but not limited to technical infrastructure, risk management capabilities, expertise), or otherwise failing to meet the expectations of regulators and law enforcement agencies.
Risk-weighted assets (RWAs)	A measure of a bank's assets adjusted for their associated risks, expressed as a percentage of an exposure value in accordance with the applicable standardised or IRB approach provisions.
RWA density	The risk-weighted asset as a percentage of exposure at default (EAD).
Scrip dividends	Dividends paid to existing shareholders in securities instead of cash payment.
Securities Financing Transactions (SFT)	Securities Financing Transactions are secured (i.e. collateralised) transactions that involve the temporary exchange of cash against securities, or securities against other securities, e.g. stock lending or stock borrowing or the lending or borrowing of other financial instruments, a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction.
Securitisation	Securitisation is a process by which credit exposures are aggregated into a pool, which is used to back new securities. Under traditional securitisation transactions, assets are sold to a special purpose entity (SPE) who then issues new securities to investors at different level of seniority (credit tranching). This allows the credit quality of the assets to be separated from the credit rating of the originating institution and transfers risk to external investors in a way that meets their risk appetite. Under synthetic securitisation transactions, the transfer of risk is achieved by the use of credit derivatives or guarantees, and the exposures being securitised remain exposures of the originating institution.
Securitisation position(s)	The positions assumed by the Group following the purchase of securities issued by Asset-Backed Securitisation programmes or those retained following the origination of a securitisation programme.

Glossary continued

South Asia	South Asia includes the Group's operation in Bangladesh, India, Nepal and Sri Lanka.
Specialised lending	Specialised lending exposures are defined as an exposure to an entity which was created specifically to finance and/or operate physical assets, where the contractual arrangements given the lender a substantial degree of control over the assets and the income that they generate and the primary source of repayment of the obligation is the income generated by the assets being financed, rather than the independent capacity of a broader commercial enterprise.
Special Purpose Entities (SPEs)	SPEs are entities that are created to accomplish a narrow and well defined objective. There are often specific restrictions or limits around their ongoing activities. Transactions with SPEs take a number of forms, including: the provision of financing to fund asset purchases, or commitments to provide financing for future purchases; derivative transactions to provide investors in the SPE with a specified exposure; the provision of liquidity or backstop facilities which may be drawn upon if the SPE experiences future funding difficulties; and direct investment in the notes or equity issued by SPEs.
Standardised Approach (SA)	In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk-weights. In relation to operational risk, a method of calculating the operational risk capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.
Stressed Value at Risk (SVAR)	A regulatory market risk measure based on potential market movements for a continuous one-year period of stress for a trading portfolio.
Through the cycle (TTC)	Reduces the volatility in the estimation of the probability of default by considering the average conditions over the economic cycle at the point of default, versus the point in time (PIT) approach, which considers economic conditions at the point of the economic cycle at which default occurs.
Tier 1 capital	Tier 1 capital comprises Common Equity Tier 1 capital plus Additional Tier 1 securities and related share premium accounts.
Tier 1 capital ratio	Tier 1 capital as a percentage of risk-weighted assets.
Tier 2 capital	Tier 2 capital comprises qualifying subordinated liabilities and related share premium accounts.
Total Loss Absorbing Capacity (TLAC)	An international standard for TLAC issued by the FSB, which requires G-SIBs to have sufficient loss-absorbing and recapitalisation capacity available in resolution, to minimise impacts on financial stability, maintain the continuity of critical functions and avoid exposing public funds to loss.
Total Return Swap (TRS)	A derivative transaction that swaps the total return on a financial instrument, including cashflows and capital gains or losses, for an interest rate return.
Trading book	The trading book consists of all positions in CRD financial instrument and commodities which are fair valued through the profit and loss account for accounting purposes, which are held either with trading intent or in order to hedge other elements of the trading book and which are either free of any restrictive covenants on their tradability or ability to be hedged.
Value at Risk (VaR)	A quantitative measure of market risk estimating the potential loss that will not be exceeded in a set time period at a set statistical confidence level.
Write downs	After an advance has been identified as impaired and is subject to an impairment allowance, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write downs will occur when and to the extent that, the whole or part of a debt is considered irrecoverable.
Wrong way risk	Wrong way risk occurs when an exposure increase is coupled with a decrease in the credit quality of the obligor.

CONTACT INFORMATION

Global headquarters

Standard Chartered Group
1 Basinghall Avenue
London, EC2V 5DD
United Kingdom

telephone: +44 (0)20 7885 8888
facsimile: +44 (0)20 7885 9999

> Register for electronic communications

website: investorcentre.co.uk

LSE Stock code: STAN.LN
HKSE Stock code: 02888