Standard Chartered PLC
4Q'20 and FY'20 Results

25 February 2021

Registered in England under company No. 966425
Registered Office: 1 Basinghall Avenue, London, EC2V 5DD, UK

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Forward-looking statements

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

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

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

Please refer to the Group's 2019 Annual Report and the 2020 Half-Year Report for a discussion of certain risks and factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

Nothing in this document shall constitute, in any jurisdiction, an offer or solicitation to sell or purchase any securities or other financial instruments, nor shall it constitute a recommendation or advice in respect of any securities or other financial instruments or any other matter.

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

The information within this report is unaudited. The information in this results announcement, which was approved by the Board of Directors on 25 February 2021, does not constitute statutory accounts as defined in Section 435 of the UK Companies Act 2006. The financial statements for the year ended 31 December 2019 were filed with the Registrar of Companies, and the audit report was unqualified and contained no statements in respect of Sections 498(2) and 498(3) of the UK Companies Act 2006. The financial statements for the year ended 31 December 2020 will be filed with the Registrar of Companies in due course. In accordance with the Listing Rules of the UK Listing Authority, these results have been agreed with the Company's auditors, Ernst & Young LLP, and the Directors have not been made aware of any likely modification to the auditor's report to be included in the Group's Annual Report for the year ended 31 December 2020. The results have been prepared on a basis consistent with the accounting policies set out in the Group's Annual Report for the year ended 31 December 2020.

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 Mainland 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; Africa & Middle East (AME) includes Angola, Bahrain, Botswana, Cameroon, Cote d'Ivoire, Egypt, The Gambia, Ghana, Iraq, Jordan, Kenya, Lebanon, Mauritius, Nigeria, Oman, Pakistan, Qatar, Saudi Arabia, Sierra Leone, South Africa, Tanzania, the United Arab Emirates (UAE), Uganda, Zambia and Zimbabwe; and Europe & Americas (EA) includes Argentina, Brazil, Colombia, Falkland Islands, France, Germany, Ireland, Jersey, Poland, Sweden, Turkey, the UK and the US. Within the tables in this report, blank spaces indicate that the number is not disclosed, dashes indicate that the number is zero and nm stands for not meaningful.

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

Standard Chartered PLC – full-year and fourth quarter 2020 results

All figures are presented on an underlying basis and comparisons are made to 2019 on a reported currency basis, unless otherwise stated. A reconciliation of restructuring and other items excluded from underlying results is set out on pages 46-51.

Bill Winters, Group Chief Executive, said:

"We are weathering the health crisis and geopolitical tensions very well, our strategic transformation continues to progress and our outlook is bright. We remain strong and profitable, although returns in 2020 were clearly impacted by higher provisions, reduced economic activity and low interest rates, in each case the result of COVID-19. I am proud of the way our colleagues around the world have responded to the challenges of the pandemic by supporting each other, our communities and our clients. Looking ahead, our unique exposure to the most dynamic markets in the world puts us in a great position to benefit from the clear signs of recovery there."

Refreshed strategic priorities support our commitment to reaching 10% RoTE in the medium term

We have refreshed our strategic priorities to reflect the evolving macroeconomic outlook. We will continue to focus on our differentiated and high returning **Network** corporate and **Affluent** personal businesses and through our recently augmented digital capabilities we can now selectively extend our reach into the **Mass Retail** segment. We will also lead with a differentiated **Sustainability** offering because we know we can make a difference in the world where it matters most, and do so profitably.

The progress we were making up to the onset of the COVID-19 pandemic in every key financial and strategic metric gives us confidence that we can achieve our ambition to deliver a double-digit RoTE. By 2023 we expect to deliver at least 7% RoTE, higher if interest rates normalise earlier than anticipated, through strong operating leverage and disciplined capital management.

Selected information concerning financial performance (FY'20 unless otherwise stated)

- **Income** down 3% to $14.8bn, down 2% at constant currency (ccy)
  - **Net interest margin** down 31bps to a FY'20 average of 1.31%; 1bp higher QoQ in 4Q'20 at 1.24%
- **Expenses** (excluding the UK bank levy) reduced 2% to $9.8bn; down 1% ccy
  - Preparing for anticipated economic recovery: investment P&L charge increased $100m QoQ in 4Q'20
- **Credit impairment** of $2.3bn up $1.4bn YoY; $374m in 4Q'20 up slightly QoQ but flat YoY
  - $827m stage 1 and 2 charge, four-fifths booked in 1H'20; 4Q'20 charge of $50m includes $41m overlay release
  - Stage 3 up $823m YoY, 1/3 from unconnected fraud-related losses in 1Q'20; no significant new exposures in 4Q'20
  - High risk assets reduced for the second consecutive quarter in 4Q'20; down $2.7bn (14%) in 2H'20
- **Return on tangible equity** down 340bps to 3.0% due to the impact of COVID-19
  - Pre-provision operating profit down 4% ccy: diversified income streams and cost control largely offset impact of lower interest rates
  - Underlying profit before tax down 40% to $2.5bn driven by COVID-related elevated impairments and lower interest rates
  - Statutory profit before tax down 57% to $1.6bn, includes $489m goodwill impairment in India, UAE and Indonesia
- **Tax** charge of $862m: underlying effective tax rate of 38%, up 8%pts with lower profits increasing impact of non-deductible items
  - Statutory effective tax rate of 53% elevated by non-deductible items including goodwill impairment
- The Group's **balance sheet** remains strong, liquid and well diversified
  - Asset-to-deposit ratio down from 64.2% to 61.1%; liquidity coverage ratio broadly stable YoY despite 1H'20 disruption
  - Customer loans and advances up 5%; customer accounts up 8% with a higher proportion of CASA and OPAC balances
- **Risk-weighted assets** of $269bn up $2.2bn since 30.09.20 and up $4.7bn since 31.12.19
  - $15bn credit migration inflation in the year partly offset by $9bn Permata stake disposal benefit
- The Group remains strongly capitalised and highly liquid; returning the maximum capital currently allowed by the Group's regulator
  - **Common equity tier 1 (CET1) ratio** 14.4% above the top of the 13-14% target range (3Q'20: 14.4%)
  - CET1 ratio includes accrual for proposed final 2020 **ordinary dividend** of $284m or 9c per share
  - $254m **share buy-back** starting imminently will reduce the CET1 ratio at 31.03.21 by ~10bps
- **Earnings per share** reduced 52% to 36.1c

Outlook

Improving prospects for COVID-19 vaccines should enable the global economy to transition back to growth through 2021, with pre-pandemic growth rates re-emerging in most of our markets from 2022. We believe that our decision to continue investing in the transformation of our business throughout the crisis will enable us to disproportionately benefit from that recovery over time, not least because it will most likely be led by large markets in Asia where we generate two-thirds of our income.

Overall income in 2021 is expected to be similar to that achieved in 2020 at constant currency given the full-year impact of the global interest rate cuts that occurred in 1H'20, which will likely cause 1H'21 income to be lower than last year. The FY'21 net interest margin should stabilise at marginally below the 4Q'20 level of 1.24%. Our performance in the opening weeks of this year gives us the confidence that we are on the right track with strong performances in our less interest rate-sensitive Financial Markets and Wealth Management businesses. We expect income to return to 5-7% growth per annum from 2022.

We expect pressure on credit impairments to reduce this year compared with 2020. Expenses are likely to increase slightly in FY'21 as we continue to invest in our digital capabilities but should remain below $10 billion at constant currency and excluding the UK bank levy, supported in part by restructuring actions in 4Q'20 and through FY'21.

We will continue to manage our balance sheet prudently, particularly throughout the remainder of the pandemic. Our intent is to operate within our 13-14% target CET1 range and we will seek approval to return to shareholders capital that cannot be deployed profitably within the business through a mixture of dividends and share buy-backs.

Statement of Results

Standard Chartered PLC - Statement of Results

	2020 $million	2019 $million	Change[1] %
Underlying performance			
Operating income	**14,765**	15,271	(3)
Operating expenses (including UK bank levy)	**(10,142)**	(10,409)	3
Credit impairment	**(2,294)**	(906)	(153)
Other impairment	**15**	(38)	139
Profit from associates and joint ventures	**164**	254	(35)
Profit before taxation	**2,508**	4,172	(40)
Profit attributable to ordinary shareholders[2]	**1,141**	2,466	(54)
Return on ordinary shareholders' tangible equity (%)	**3.0**	6.4	(340)bps
Cost to income ratio (excluding UK bank levy) (%)	**66.4**	65.9	50bps
Statutory performance			
Operating income	**14,754**	15,417	(4)
Operating expenses	**(10,380)**	(10,933)	5
Credit impairment	**(2,325)**	(908)	(156)
Goodwill impairment	**(489)**	(27)	nm[3]
Other impairment	**(98)**	(136)	28
Profit from associates and joint ventures	**151**	300	(50)
Profit before taxation	**1,613**	3,713	(57)
Taxation	**(862)**	(1,373)	37
Profit for the year	**751**	2,340	(68)
Profit attributable to parent company shareholders	**724**	2,303	(69)
Profit attributable to ordinary shareholders[2]	**329**	1,855	(82)
Return on ordinary shareholders' tangible equity (%)	**0.9**	4.8	(390)bps
Cost to income ratio (%)	**70.4**	70.9	(50)bps
Balance sheet and capital			
Total assets	**789,050**	720,398	10
Total equity	**50,729**	50,661	–
Average tangible equity attributable to ordinary shareholders[2]	**38,590**	38,574	–
Loans and advances to customers	**281,699**	268,523	5
Customer accounts	**439,339**	405,357	8
Risk weighted assets	**268,834**	264,090	2
Total capital	**57,048**	55,965	2
Total capital (%)	**21.2**	21.2	0bps
Common Equity Tier 1	**38,779**	36,513	6
Common Equity Tier 1 ratio (%)	**14.4**	13.8	60bps
Net Interest Margin (%) (adjusted)	**1.31**	1.62	(31)bps
Advances-to-deposits ratio (%)[4]	**61.1**	64.2	(3.1)
Liquidity coverage ratio (%)	**143.0**	144.0	(1)
UK leverage ratio (%)	**5.2**	5.2	(0)bps
Information per ordinary share	**Cents**	Cents	Cents[1]
Earnings per share – underlying[5]	**36.1**	75.7	(39.6)
– statutory[5]	**10.4**	57.0	(46.6)
Net asset value per share[6]	**1,409**	1,358	51
Tangible net asset value per share[6]	**1,249**	1,192	57
Number of ordinary shares at period end (millions)	**3,150**	3,191	(1)

1 Variance is better/(worse) other than assets, liabilities and risk-weighted assets. Change is percentage points difference between two points rather than percentage change for total capital (%), common equity tier 1 ratio (%), net interest margin (%), advances-to-deposits ratio (%), liquidity coverage ratio (%), UK leverage ratio (%). Change is cents difference between two points rather than percentage change for earnings per share, net asset value per share and tangible net asset value per share
2 Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of non-cumulative redeemable preference shares and Additional Tier 1 securities classified as equity
3 Not meaningful
4 When calculating this ratio, total loans and advances to customers excludes reverse repurchase agreements and other similar secured lending, excludes approved balances held with central banks, confirmed as repayable at the point of stress and includes loans and advances to customers held at fair value through profit and loss. Total customer accounts include customer accounts held at fair value through profit or loss
5 Represents the underlying or statutory earnings divided by the basic weighted average number of shares
6 Calculated on period end net asset value, tangible net asset value and number of shares

Group Chairman's statement

Leading with our purpose to drive sustainable growth

2020 was a year of extraordinary global turbulence, and COVID-19 in particular had a profound impact on all of us. The world is a very different place from this time last year and we all must continue to adjust and adapt. We have very sadly lost colleagues and some of you will have also lost friends and loved ones, so I would like to extend my deepest sympathy to everyone who has suffered during the pandemic.

Throughout this tumultuous period, our 89,000 colleagues around the world – led by our Chief Executive Bill Winters and colleagues in the Management Team – have focused on protecting the interests of shareholders, while ensuring the wellbeing of colleagues, supporting our customers and clients, and showing solidarity with our communities. All of this while preserving our operational and financial resilience.

They have done this demonstrating exemplary character and with great humanity, something that I have always said is a distinctive characteristic of this Group.

Repayment holidays, fee waivers and loan extensions were offered to individual and small business customers, and we made $1 billion of financing available at cost to those providing critical goods and services in the fight against the virus. We also established a $50 million Global Charitable Fund to help those affected within our communities. So far, we have donated $28 million across 59 markets, with a comparable sum contributed by colleagues and the Group to support and stimulate economic recovery.

A resilient financial performance, enabling a return to capital distributions

Bill and Andy Halford, our Chief Financial Officer, will explain in more detail later in this report how our financial performance was impacted in some respects by the effects of the pandemic. But those results also show evidence of great resilience – certainly far greater resilience than I suspect would have been the case if the pandemic had occurred a few years ago.

Our profit reduced despite lower costs due to a combination of lower interest rates that affected income and higher impairments driven in part by the reserves that we built to absorb possible future credit losses as the pandemic unfolds. But we remained highly liquid and our capital position actually strengthened further, which means that with better visibility over the near-term economic outlook the Board is recommending the payment of a full-year ordinary dividend of $284 million or 9 cents per share.

And with our common equity tier 1 capital ratio above the top end of our 13-14 per cent target range, even after accruing for the recommended ordinary dividend, we have decided to complete the share buy-back programme that was suspended in April 2020, meaning we will shortly start purchasing and then cancelling up to $254 million worth of ordinary shares.

The proposed full-year dividend and share buy-back programme together is the maximum we are authorised by our regulator to return to shareholders at this stage, being 0.2 per cent of our risk-weighted assets as at 31 December 2020.

The Board's position on capital returns remains essentially the same as it was before our regulator requested us to withdraw the recommended 2019 final dividend. Having now resumed it, we expect to be able to increase the full-year dividend per share over time as we execute our strategy and progress towards a 10 per cent return on tangible equity. To the extent additional capital generated over that period is not needed to fund further business growth, we will continue to find optimal ways of returning the excess to our owners.

Governance

I am delighted to welcome Maria Ramos to our Board as an independent non-executive director. She brings considerable experience as a chief executive, significant understanding of the global financial services industry, an in-depth understanding of the regulatory landscape, as well as experience of operating across many of our markets, especially in the Africa region.

We welcome the appointment of Dr Ngozi Okonjo-Iweala as the new Director-General of the World Trade Organisation, as a result of which she will shortly step down from the Board. I would like to thank Dr Ngozi for her valuable contributions to the Group over the last three years.

Group Chairman's statement continued

We recently announced several changes to our Board Committee composition, details of which can be found in the Directors' report in the Annual Report. We also recently announced that Robert Zoellick is taking over as chair of our International Advisory Council, a diverse, multidisciplinary panel of experts whose role is to provide insight on global trends and opportunities that may affect the Group and our clients. Robert served as president of the World Bank from 2007 to 2012, where he led the effort to assist developing economies during the Global Financial Crisis and held various posts in the US Government over three administrations.

What it means to us to be purpose-led

Standard Chartered has a history of being bold and finding new opportunities in times of change. For over 160 years we have been pioneers of international trade and investment, facilitating the flow of capital to where it is needed most to drive commerce and prosperity.

And yet, in today's complex, fast-moving and unstable world, it is clear that markets, trade and capital flows are failing to address some of the key socio-economic and environmental challenges of our time. It doesn't need to be this way; we believe commerce and prosperity can be driven without people being left behind, without the planet being negatively impacted, and without creating divisions that diminish our sense of community. Never has finance and commerce been more important in fuelling positive change where it matters most – and especially in the world's emerging economic powerhouses.

This is why now, more than ever before, we must lead with our purpose. This is the moment to use our unique capacity to work across boundaries, connecting capital, people, ideas and best practices, both locally and globally. Our conviction is that we can accelerate our strategy and its wider impact by connecting it to the big issues facing our world. We will take a stand on those issues, reshape our Group where necessary to meet them and grow by playing an active role.

The refreshed strategic priorities that Bill describes separately are fully aligned with this objective. This is not just about social responsibility. This is fundamentally about doing great business, transforming our franchise and taking our promise of being Here for good to a whole new level. We're determined to unleash a new dynamic in the Group – powered by our purpose. We are building on who we are and what we are good at, and that is why I am confident we can step forward and make a real difference.

Outlook

So, what does 2021 hold? I hope and expect it will be a better year overall for the world and for us, even if uncertainties continue on several fronts. First, despite the recent positive news on vaccines, we will be coping with the health and economic impact of COVID-19 for some time. Yet I envisage that the global economic recovery will strengthen as the year progresses and confidence returns, led by the performance of markets in Asia where we have large and entrenched positions.

Second, geopolitical uncertainty will not disappear under the new US administration, albeit I expect the US to take a more systematic, predictable and multilateral approach to foreign relations.

Finally, the pace of change required by these new times means things are accelerating faster, not just in the digital space, but also many other parts of the business ecosystem and the world. I expect that this will ultimately result in advances in productivity growth.

There remain plenty of reasons to be confident in this evolving environment. We have shown that we are getting much better at converting the undoubted dynamism of our home markets across Asia, Africa and the Middle East into profitable growth. We grew income between four and eight per cent on a like-for-like basis every quarter between the end of 2018 and the end of the first half of 2020 when the impact of COVID-19 hit, and this was while generating positive income-to-cost jaws in every period. I have always been very clear that strong growth is no good if it isn't safe and sustainable, which is why I am pleased to see the risk framework that the Management Team worked so hard to implement from 2015 perform so well last year.

Group Chairman's statement continued

The Board will continue to oversee the execution of the Group's strategy. Our goal is to provide a best-in-class experience for our clients, be that through our unique network, personalised affluent banking or attractive digital offerings in mass retail, including through key strategic partnerships. And to do this with a world-class workforce and an agile and innovative organisation which makes us simpler, faster and better. In doing so, we also aspire to become a leader in the sustainability space. As a Group with a large and long-standing emerging markets footprint, we feel we have the responsibility and a great opportunity to channel financing to where it is most needed to make the planet more sustainable.

I said in last year's report that instability and rapid change are becoming the new normal, and that adaptation is a skill I saw as being core to the Group's DNA. I am humbled by some of the stories I have heard of how my colleagues are ensuring exceptional continuity of service to our clients in often difficult circumstances, and I have no doubt that they will continue to go the extra mile to make a positive difference.

José Viñals

Group Chairman

25 February 2021

Group Chief Executive's review

"Our outlook is bright"

We are weathering the health crisis and geopolitical tensions very well. We remain strong and profitable, although clearly impacted by credit challenges and low interest rates. Our strategic transformation continues to progress well, and our outlook is bright.

Our relative strength derives from actions we have taken over the past five years, the first phase of which was to secure our foundations. Our efforts during that time were not always obvious externally, but the benefits became clear last year when we came through an extraordinary real-life stress test with financial and operational resilience. We were open for business for our customers and communities throughout the crisis and, as Andy will describe later in this report, we remained profitable while preserving very strong liquidity and capital positions.

Since 2018, we have been executing the second phase, building on those stronger foundations. We have delivered our differentiated network and affluent businesses, optimised returns in India, Korea, the UAE and Indonesia – profits in those markets in aggregate rose 34 per cent – and invested heavily in what we expect to be transformational digital initiatives that are now live and winning business across our footprint.

We are ready now to start the next phase.

Our refreshed strategic priorities

José has already described what it means for us to be a purpose-led organisation, and how that will guide us in the years ahead. The refreshed strategic priorities which we share today link directly to our purpose to drive commerce and prosperity with our unique diversity and we have geared up to develop the skills, mindset and capabilities to deliver both. They will take us beyond what we currently do, how we currently think and extend our existing scale and impact.

- Network: we will continue to unlock the power of our unique physical footprint by digitally delivering to our clients best-in-class emerging and developed markets capabilities, insights and solutions
- Affluent: we will reinforce our strong credentials in the affluent segment by building loyalty and trust through offering our clients personalised wealth advice based on superior insight
- Mass retail: we now have a range of proven digital capabilities and our remodelled risk framework has been thoroughly stress-tested, which means we can substantially and economically scale up our mass market retail presence. We will do this with enhanced data analytics and a superior end-to-end digital experience, developing opportunities on our own and with partners
- Sustainability: we will lead with a differentiated sustainability offering, including reflecting net-zero climate goals in everything we do. This is not to score points on ESG indices, but because we know we can make a difference in the world where it matters most, and do so profitably

These strategic priorities will be supported by three critical enablers. We are investing heavily in our people, giving colleagues the skills they need to succeed, bringing in expertise in critical areas and evolving to a more innovative and agile operating model. We are fundamentally changing the way we work, accelerating our time-to-market and increasing productivity with cross-functional teams driving agreed client and productivity outcomes. And we are driving innovation to improve our clients' experience, increase our operational efficiency and tap new sources of income, creating opportunities that I can foresee over time representing the majority of our income.

Re-committing to delivering return on tangible equity above 10 per cent

Our strategic progress continues apace despite the challenges related to COVID-19. Our returns have suffered though as the resulting severe economic dislocations and low interest rates impacted our financial performance. The progress we made up to the onset of the pandemic, however, in every key financial and strategic metric, gives us confidence that we can return to that trajectory as economies recover over the coming year.

Our refreshed strategic priorities, together with the financial framework that is laid out in the presentation that accompanies this report, should allow us to improve our return on tangible equity from the 3 per cent we delivered in 2020 to more than 7 per cent by 2023 as we progressively advance to our target of more than 10 per cent. We will hit those targets sooner if interest rates start to normalise earlier than anticipated, but in any event we expect to generate significant surplus capital over this period that will be returned to shareholders if not deployed to fund additional growth. We are starting as we mean to go on, by completing the share buy-back programme that was suspended in April 2020.

Group Chief Executive's review continued

Resilience at our core

It has been an extraordinary year in many respects. But we have a long history of resilience to economic shocks and geopolitical tussles, and the opportunities and even the challenges have not fundamentally changed.

- The negative impacts of COVID-19 should be largely transitory, and indeed have provided powerful lessons that will help us to accelerate our pursuit of better productivity and may even lead to a better world. The almost overnight shift to more flexible working should benefit us over time both financially and in terms of fostering greater diversity and inclusion, and also caused us to add to our extraordinary focus on keeping pace with escalating cyber, fraud and other threats. And while we will likely live with very low interest rates for several years, even that won't last forever as economies start to reflate
- As an international bank with a unique emerging market footprint straddling the East and the West, we have always had to deal with political turbulence, both within and between our markets. This was unusually visible in 2020 but we are hopeful that a spirit of engagement will help avoid further escalation. We will comply with all laws that affect us and our clients and hope for a more diplomatic and multilateral solution to the world's challenges
- Global trade was slowing before COVID-19 and slumped when it hit, as markets around the world went into various forms of lockdown. The pace of growth comes and goes but we don't believe global trade has permanently gone into reverse. And while some trade corridors such as those between the US and China may decline from the very high levels of recent years, they will be replaced by others, in particular within the Asia and Africa regions, which play perfectly to our strengths

One thing remains clear: we can win through a relentless focus on improving the experience of our customers while working hard to attract new ones, and while keeping a tight grip on costs. The underlying macroeconomic and demographic growth drivers in our footprint remain strong and we remain well positioned to benefit from them. With our virtual bank Mox launched in Hong Kong, our banking-as-a-service venture 'nexus' preparing to launch with partners in Indonesia and digital banking now firmly embedded across our Africa franchise, we are better able to capture and create opportunities in markets that are likely to remain the most dynamic in the world for the foreseeable future.

Concluding remarks

While COVID-19 caused the quickest and sharpest economic collapse any of us has ever seen, recovery expectations have also surpassed prior recessions in both speed and magnitude. We are in a great position to benefit from that.

In the coming years, we aim not just to be a larger, leaner, more profitable and strongly capitalised bank, but a better one. Better for our customers, our communities, our colleagues and our shareholders.

- We have a non-replicable business. We intend to utilise that unique diversity for the benefit of our customers and shareholders
- We are already admired for our specialist servicing of the fast-growing trade and investment corridors across Asia, Africa and the Middle East and we are doubling-down on that differentiation
- We are driving a culture of innovation, that we believe will create sustainable opportunities in the world's fastest growing markets

And last but certainly not least, I wholeheartedly support José's comments concerning the remarkable efforts of our 89,000 colleagues around the world this year, frequently in difficult personal circumstances. These efforts enabled us to protect shareholders' interests in an exceptionally challenging year and maintain our steadfast support for the communities in the 59 markets we call home.

Bill Winters

Group Chief Executive

25 February 2021

Group Chief Financial Officer's review

"A resilient performance in extremely challenging conditions"

Summary of financial performance

We were making strong progress delivering our financial framework until the onset of COVID-19 but the challenging conditions caused by the pandemic resulted in a reduced, but nonetheless resilient, financial performance for the year as a whole. Our focus over recent years on diversifying our sources of income was not quite sufficient to offset the effect of the significant reductions in global interest rates that occurred mid-year and hence overall income declined slightly as did our pre-provision operating profit, notwithstanding tight control of expenses. The actions taken in recent years to improve the quality of our balance sheet sheltered us from some of the worst effects of COVID-19 but we nonetheless incurred credit impairment charges more than double that of the prior year, albeit the majority were booked in the first half of the year with a noticeably lower level of charges in the second half. Overall this resulted in underlying operating profit decreasing by 40 per cent but we ended the year with our key capital ratio, CET1, at 14.4 per cent including the benefit of selling our stake in Permata earlier in the year. This is not only above the top of our target range of 13 to 14 per cent but also the highest level it has been for many years. The Group also retained a highly liquid balance sheet and consequently we believe we enter 2021 well equipped to see through the remaining challenges of COVID-19 and, importantly, well positioned to benefit from the subsequent upturn in the global economy.

All commentary that follows is on an underlying basis and comparisons are made to the equivalent period in 2019 on a reported currency basis, unless otherwise stated.

- **Operating income** declined 3 per cent and was down 2 per cent on a constant currency basis
- **Net interest income** decreased 11 per cent with increased volumes more than offset by a 19 per cent or 31 basis point reduction in net interest margin
- **Other income** increased 4 per cent, or 3 per cent excluding the positive impact in DVA, with a particularly strong performance in Financial Markets
- **Operating expenses** excluding the UK bank levy reduced 2 per cent or 1 per cent on a constant currency basis, with the impact of COVID-19 resulting in lower bonus accruals reflecting underlying performance, including lower profits, and reduced spend on travel and entertainment, partly offset by the continued focus on investing in new digital capabilities. Operating expenses in 4Q'20 increased 6 per cent compared to 3Q'20 due to a $100 million increase in investment P&L charge as the Group started to position itself to capitalise on the expected economic recovery in its markets. The cost-to-income ratio (excluding the UK bank levy and DVA) increased 1 percentage point to 67 per cent. The UK bank levy decreased by $16 million to $331 million; in 2021 it will be chargeable on only the Group's UK balance sheet with the current expectation being that it will reduce to around $100 million at that time
- **Credit impairment** increased by $1,388 million to $2,294 million. This was mainly driven by a $823 million increase in Stage 3 impairments across all client segments to $1,467 million, around one-third of which related to three unconnected Corporate & Institutional Banking client exposures that were reported in 1Q'20. Stage 1 and 2 impairments increased by $565 million to $827 million and included a net increase in the judgemental management overlay of $337 million as the Group proactively reserved for forward-looking risks. Total credit impairment of $2,294 million represents a loan-loss rate of 66 basis points (2019: 27 basis points) with the management overlay contributing 11 basis points. This compares to a loan-loss rate of 143 basis points in 2015 reflecting the benefit of the work done in the intervening period to secure the Group's foundations including tightening the Group's risk management framework
- **Other impairment** was a net $15 million release, primarily driven by a reversal of previously impaired assets partially offset by a $132 million charge relating to impairment of aircraft
- **Profit from associates and joint ventures** decreased by 35 per cent to $164 million. The Group could only recognise its share of the profits of its associate China Bohai Bank for ten months due to the timing of its recently completed initial public offering in July 2020. The Group's share of Bohai's annual preference share dividend, $22 million, was deducted from its share of profit in 4Q'20. Additionally, the Group's share of China Bohai Bank reduced in 4Q'20 to 16.26 per cent from 19.99 per cent and this will be the share of profit that is reported in future quarters

- **Profit before tax** decreased 40 per cent or 39 per cent on a constant currency basis. Statutory profit before tax decreased 57 per cent driven by charges totalling $895 million relating to restructuring, goodwill impairment – including $489 million principally relating to India and United Arab Emirates – and other items
- **Taxation** was $862 million on a statutory basis. Taxation on underlying profits was at an effective rate of 37.7 per cent, an increase of 8 percentage points reflecting the non-repeat of prior year credits and the effect of lower profits concentrating the impact of non-deductible expenses partly offset by a one-off credit in 4Q'20 relating to an increase in the rate at which the US deferred tax asset is recognised. Taxation on statutory profits was at an effective rate of 53.4 per cent, an increase of 16 percentage points on the underlying rate due to elevated goodwill impairments
- **Return on tangible equity** decreased by 340 basis points to 3.0 per cent, with the impact of reduced profits partly offset by lower tangible equity reflecting the share buy-back programmes completed since 1Q'19
- **Underlying basic earnings per share (EPS)** reduced 52 per cent to 36.1 cents and statutory EPS declined 46.6 cents to 10.4 cents
- A final **ordinary dividend** per share of 9 cents has been proposed, which along with the announced share buy-back programme of $254 million is the maximum the Group is authorised by its regulator to return to shareholders currently, being 0.2 per cent of risk-weighted assets as at 31 December 2020

Summary of financial performance

	4Q'20 $million	4Q'19 $million	Change %	Constant Currency Change[1] %	3Q'20 $million	Change %	Constant Currency Change[1] %	FY20 $million	FY19 $million	Change %	Constant Currency Change[1] %
Net Interest income	1,760	1,899	(7)	(8)	1,620	9	7	6,882	7,698	(11)	(9)
Other income	1,439	1,698	(15)	(15)	1,899	(24)	(25)	7,883	7,573	4	5
Underlying operating income	3,199	3,597	(11)	(11)	3,519	(9)	(10)	14,765	15,271	(3)	(2)
Underlying operating expenses	(2,618)	(2,592)	(1)	-	(2,480)	(6)	(3)	(9,811)	(10,062)	2	1
UK bank levy	(331)	(347)	5	9	-	nm[2]	nm[2]	(331)	(347)	5	9
Underlying operating expenses	(2,949)	(2,939)	-	1	(2,480)	(19)	(16)	(10,142)	(10,409)	3	1
Underlying operating profit before impairment and taxation	250	658	(62)	(55)	1,039	(76)	(72)	4,623	4,862	(5)	(4)
Credit impairment	(374)	(373)	-	(1)	(353)	(6)	(4)	(2,294)	(906)	(153)	(159)
Other impairment	(82)	(12)	nm[2]	nm[2]	(15)	nm[2]	nm[2]	15	(38)	139	138
Profit from associates and joint ventures	14	52	(73)	(74)	74	(81)	(81)	164	254	(35)	(36)
Underlying profit before taxation	(192)	325	(159)	(144)	745	(126)	(119)	2,508	4,172	(40)	(39)
Restructuring	(248)	(117)	(112)	(115)	(44)	nm[2]	nm[2]	(382)	(254)	(50)	(53)
Goodwill impairment	-	(27)	100	100	(231)	100	100	(489)	(27)	nm[2]	nm[2]
Other items	(9)	13	(169)	(162)	(35)	74	77	(24)	(178)	87	87
Statutory profit before taxation	(449)	194	nm[2]	nm[2]	435	nm[2]	(193)	1,613	3,713	(57)	(56)
Taxation	(27)	(122)	78	80	(274)	90	91	(862)	(1,373)	37	36
Profit for the period	(476)	72	nm[2]	nm[2]	161	nm[2]	nm[2]	751	2,340	(68)	(67)
Net interest margin (%)[3]	1.24	1.54	(30)		1.23	1		1.31	1.62	(31)	
Underlying return on tangible equity (%)[3]	(4.3)	(0.1)	(420)		4.4	(870)		3.0	6.4	(340)	
Underlying earnings per share (cents)	(13.5)	(0.4)	nm[2]		13.6	nm[2]		36.1	75.7	(52)	
Statutory return on tangible equity (%)[3]	(6.2)	(1.3)	(490)		1.3	(750)		0.9	4.8	(390)	
Statutory earnings per share (cents)	(19.4)	(3.9)	nm[2]		3.9	nm[2]		10.4	57.0	(82)	

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods
2 Not meaningful
3 Change is the basis points (bps) difference between the two periods rather than the percentage change

Operating income by Product

	4Q'20 $million	4Q'19[2] $million	Change %	Constant Currency Change[1] %	3Q'20 $million	Change %	Constant Currency Change[1] %	FY20 $million	FY19[2] $million	Change %	Constant Currency Change[1] %
Transaction Banking	652	834	(22)	(22)	665	(2)	(3)	2,838	3,499	(19)	(18)
Trade	249	259	(4)	(4)	255	(2)	(4)	994	1,100	(10)	(9)
Cash Management	403	575	(30)	(30)	410	(2)	(3)	1,844	2,399	(23)	(23)
Financial Markets	697	716	(3)	(2)	909	(23)	(25)	3,854	3,258	18	20
Foreign Exchange	267	264	1	4	266	-	(2)	1,291	1,127	15	17
Rates	150	163	(8)	(10)	201	(25)	(28)	1,068	696	53	56
Commodities	37	37	-	6	60	(38)	(38)	223	165	35	35
Credit and Capital Markets	175	125	40	38	188	(7)	(8)	639	577	11	12
Capital Structuring Distribution Group	70	86	(19)	(19)	91	(23)	(25)	274	329	(17)	(16)
DVA	(69)	(72)	4	3	(22)	nm[3]	nm[3]	13	(100)	113	113
Securities Services	78	85	(8)	(8)	79	(1)	(4)	320	343	(7)	(5)
Other Financial Markets	(11)	28	(139)	(128)	46	(124)	(119)	26	121	(79)	(78)
Corporate Finance	285	328	(13)	(13)	284	-	1	1,116	1,143	(2)	(1)
Lending and Portfolio Management	199	201	(1)	-	222	(10)	(11)	848	786	8	10
Wealth Management	436	415	5	4	568	(23)	(24)	1,968	1,879	5	5
Retail Products	848	960	(12)	(12)	859	(1)	(3)	3,566	3,862	(8)	(7)
CCPL and other unsecured lending	303	311	(3)	(4)	309	(2)	(4)	1,211	1,251	(3)	(2)
Deposits	271	484	(44)	(44)	301	(10)	(11)	1,457	1,989	(27)	(26)
Mortgage and Auto	234	130	80	77	211	11	8	750	511	47	47
Other Retail Products	40	35	14	18	38	5	3	148	111	33	36
Treasury	92	196	(53)	(52)	40	130	130	635	1,090	(42)	(41)
Other	(10)	(53)	81	82	(28)	64	63	(60)	(246)	76	74
Total underlying operating income	3,199	3,597	(11)	(11)	3,519	(9)	(10)	14,765	15,271	(3)	(2)

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods
2 Following a reorganisation of certain clients, there has been a reclassification of balances across products
3 Not meaningful

Transaction Banking income was down 19 per cent. Trade declined 10 per cent reflecting a significant reduction in global trade as a result of COVID-19. Cash Management declined 23 per cent with double-digit volume growth being more than offset by declining margins given the low interest rate environment.

Financial Markets income grew 18 per cent, or 14 per cent excluding DVA, benefiting from market volatility and increased hedging and investment activity by clients. There was strong double-digit growth in Rates, Foreign Exchange and Commodities. After a slow first quarter, Credit and Capital Markets recovered momentum and ended the year with income up 11 per cent. Income from Securities Services, which is now managed within Financial Markets having previously been reported as part of Transaction Banking, declined 7 per cent. The decline in Other Financial Markets included a $56 million charge related to a change in the valuation methodology of structured notes in 4Q'20.

Corporate Finance income was down 2 per cent driven by lower income from aviation clients as the sector was significantly impacted by COVID-19, partly offset by drawdowns on revolving credit facilities which were largely repaid or refinanced in 2H'20.

Lending and Portfolio Management income was up 8 per cent with improved margins in Corporate Lending.

Wealth Management income grew 5 per cent despite significantly more challenging market conditions. There was a particularly strong sales performance in FX, equities and structured notes driving income excluding bancassurance up 14 per cent. Bancassurance income was lower by 16 per cent resulting from reduced branch walk-ins due to COVID-19, partially offset by increased digital channel usage.

Retail Products income declined 8 per cent or 7 per cent on a constant currency basis. Deposits income declined 27 per cent as margin compression more than offset increased volumes. Increases in volumes and margins led to double-digit income growth across Mortgages and Auto and Other Retail Products. Credit Cards and Personal Loans income was down 3 per cent as COVID-19 impacted new sales.

Treasury income reduced 42 per cent as a fall in interest rates led to lower interest income on Treasury assets that was partially offset by a reduction in the expense of Treasury liabilities. An additional $220 million in realisation gains, primarily booked in 1H'20, was broadly offset by lower FX switch income and negative movements in hedge ineffectiveness, primarily recorded in 2H'20.

Other products income improved by $186 million to negative $60 million reflecting interest credits and other one-off items in India, Korea and Singapore.

Profit before tax by client segment and geographic region

	4Q'20 $million	4Q'19[2] $million	Change %	Constant Currency Change[1] %	3Q'20 $million	Change %	Constant Currency Change[1] %	FY20 $million	FY19[2] $million	Change %	Constant Currency Change[1] %
Corporate & Institutional Banking	184	371	(50)	(48)	525	(65)	(64)	1,841	2,257	(18)	(18)
Retail Banking	4	169	(98)	(100)	257	(98)	(100)	587	1,093	(46)	(47)
Commercial Banking	13	46	(72)	(73)	19	(32)	(40)	214	499	(57)	(57)
Private Banking	(11)	(3)	nm[3]	nm[3]	17	(165)	(153)	62	94	(34)	(35)
Central & other items (segment)	(382)	(258)	(48)	(31)	(73)	nm[3]	nm[3]	(196)	229	(186)	(159)
Underlying profit/(loss) before taxation	(192)	325	(159)	(144)	745	(126)	(119)	2,508	4,172	(40)	(39)
Greater China & North Asia	323	493	(34)	(37)	578	(44)	(46)	2,035	2,432	(16)	(17)
ASEAN & South Asia	80	23	nm[3]	165	243	(67)	(66)	779	1,025	(24)	(24)
Africa & Middle East	(88)	96	(192)	(195)	11	nm[3]	nm[3]	13	684	(98)	(97)
Europe & Americas	(7)	82	(109)	(103)	37	(119)	(105)	386	157	146	137
Central & other items (region)	(500)	(369)	(36)	(29)	(124)	nm[3]	nm[3]	(705)	(126)	nm[3]	nm[3]
Underlying profit/(loss) before taxation	(192)	325	(159)	(144)	745	(126)	(119)	2,508	4,172	(40)	(39)

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods
2 Following a reorganisation of certain clients, there has been a reclassification of balances across client segments
3 Not meaningful

Corporate & Institutional Banking income, which is now broadly half the Group's income, increased 2 per cent with a very strong Financial Markets performance partly offset by the impact of low interest rates. Lower expenses were more than offset by higher credit impairments resulting in profits declining 18 per cent. **Retail Banking** income declined 3 per cent as income growth in Wealth Management was more than offset by the effects of the low interest rate environment which resulted in Deposits income declining 26 per cent. Expenses were 2 per cent lower but were more than offset by higher impairments, which resulted in profits declining 46 per cent. **Commercial Banking** profits more than halved, driven by impairments which more than doubled and 10 per cent lower income partly offset by 8 per cent lower expenses. A non-repeat of a prior-year impairment release meant **Private Banking** profit was down 34 per cent. **Central & other items (segment)** recorded a loss of $196 million driven by a 32 per cent decline in income, primarily in Treasury, 4 per cent higher expenses from increased investment spend including funding SC Ventures, and a reduction in the Group's share of China Bohai Bank's profits.

Greater China & North Asia remained the largest regional contributor to the Group, generating 81 per cent of the overall Group's profit before tax. Profit declined 16 per cent driven by higher impairments while income declined only 2 per cent despite challenging market conditions partly offset by a 1 per cent reduction in expenses. **ASEAN & South Asia** income growth of 4 per cent and 2 per cent lower expenses were more than offset by higher impairments, resulting in profits declining 24 per cent. **Africa & Middle East** income declined 8 per cent, or 3 per cent on a constant currency basis with continued macroeconomic challenges also impacting credit impairments, which resulted in profits declining to $13 million for the year. **Europe & Americas** profit increased 146 per cent driven by 11 per cent higher income reflecting exceptionally strong Financial Markets performance and 6 per cent lower expenses. The loss incurred by **Central & other items (regions)** increased by $579 million to $705 million loss due to lower returns paid to Treasury on the equity provided to the regions in a falling interest rate environment.

Adjusted net interest income and margin

	4Q'20 $million	4Q'19[1] $million	Change[2] %	3Q'20 $million	Change[2] %	FY20 $million	FY19[1] $million	Change[2] %
Adjusted net interest income[3]	**1,676**	1,978	(15)	1,626	3	**6,921**	8,007	(14)
Average interest-earning assets	**538,637**	508,001	6	524,921	3	**526,370**	494,756	6
Average interest-bearing liabilities[6]	**490,778**	455,177	8	477,688	3	**478,051**	444,595	8
Gross yield (%)[4]	**1.99**	3.19	(120)	2.07	(8)	**2.34**	3.34	(100)
Rate paid (%)[4]	**0.82**	1.84	(102)	0.92	(10)	**1.12**	1.92	(80)
Net yield (%)[4]	**1.17**	1.35	(18)	1.15	2	**1.22**	1.42	(20)
Net interest margin (%)[4,5]	**1.24**	1.54	(30)	1.23	1	**1.31**	1.62	(31)

1 The Group in 2019 changed its accounting policy for net interest income and the basis of preparation of its net interest margin to better reflect the underlying performance of its banking book. See notes to the financial statements in the 2019 Annual Report for further details
2 Variance is better/(worse) other than assets and liabilities which is increase/(decrease)
3 Adjusted net interest income is statutory net interest income less funding costs for the trading book and financial guarantee fees on interest earning assets
4 Change is the basis points (bps) difference between the two periods rather than the percentage change
5 Adjusted net interest income divided by average interest-earning assets, annualised
6 Average interest-bearing liabilities has been restated by $2,236 million in 4Q'19 due to the reclassification of balances from interest-bearing liabilities to non interest-bearing liabilities. There is a corresponding impact in rate paid % and net yield %

Adjusted net income was down 14 per cent driven by a 19 per cent decline in net interest margin which fell 31 basis points, primarily reflecting the interest rate cuts which occurred in late 2019 and to a much larger extent in early 2020. This more than offset the impact of improvements in balance sheet mix and liability repricing initiatives. The fourth quarter net interest margin included 2 basis points uplift from a one-off interest credit in Korea.

Average interest-earning assets increased 6 per cent driven by an increase in investment securities balances and higher loans and advances to customers. Gross yields declined by 100 basis points predominantly reflecting the flow-through of interest rates cuts which occurred in the second half of 2019 and those that occurred in the first quarter of 2020.

Average interest-bearing liabilities increased 8 per cent driven by growth in customer accounts. The rate paid on liabilities decreased by 80 basis points compared to the average in 2019 reflecting interest rate movements. This was partly offset by a shift of customer accounts from higher-paying time deposits to lower-rate and non-interest bearing current and savings accounts.

Credit risk summary

Income Statement

	4Q'20 $million	4Q'19 $million	Change[1] %	3Q'20 $million	Change[1] %	FY20 $million	FY19 $million	Change[1] %
Total credit impairment	**374**	373	-	353	6	**2,294**	906	153
Of which stage 1 and 2	**50**	125	(60)	109	(54)	**827**	262	216
Of which stage 3	**324**	248	31	244	33	**1,467**	644	128

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

Group Chief Financial Officer's review continued

Balance sheet

	31.12.20 $million	30.09.20 $million	Change[1] %	30.06.20 $million	Change[1] %	31.12.19 $million	Change[1] %
Gross loans and advances to customers[2]	**288,312**	288,046	-	282,826	2	274,306	5
Of which stage 1	**256,437**	251,113	2	250,278	2	246,149	4
Of which stage 2	**22,661**	27,597	(18)	23,739	(5)	20,759	9
Of which stage 3	**9,214**	9,336	(1)	8,809	5	7,398	25
Expected credit loss provisions	**(6,613)**	(6,666)	(1)	(6,513)	2	(5,783)	14
Of which stage 1	**(534)**	(571)	(6)	(476)	12	(402)	33
Of which stage 2	**(738)**	(706)	5	(780)	(5)	(377)	96
Of which stage 3	**(5,341)**	(5,389)	(1)	(5,257)	2	(5,004)	7
Net loans and advances to customers	**281,699**	281,380	-	276,313	2	268,523	5
Of which stage 1	**255,903**	250,542	2	249,802	2	245,747	4
Of which stage 2	**21,923**	26,891	(18)	22,959	(5)	20,382	8
Of which stage 3	**3,873**	3,947	(2)	3,552	9	2,394	62
Cover ratio of stage 3 before/after collateral (%)[3]	**58 / 76**	58 / 76	(0) / (0)	60 / 80	(2) / (4)	68 / 85	(10) / (9)
Credit grade 12 accounts ($million)	**2,164**	1,954	11	1,519	42	1,605	35
Early alerts ($million)	**10,692**	13,407	(20)	14,406	(26)	5,271	103
Investment grade corporate exposures (%)[3]	**62**	59	3	57	5	61	1

1 Variance is increase/(decrease) comparing current reporting period to prior reporting periods
2 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $2,919 million at 31 December 2020, $4,330 million at 30 September 2020, $4,383 million at 30 June 2020 and $1,469 million at 31 December 2019
3 Change is the percentage points difference between the two points rather than the percentage change

The rapid and extreme global economic dislocation caused by the onset of the COVID-19 pandemic led to a deterioration in asset quality and higher impairments overall. Actions taken in previous years to secure the Group's foundations – including increasing diversification of credit exposures and improving the risk culture – underpinned the Group's resilience to these extraordinary challenges. Having made substantial provisions against expected credit losses in the first half of the year, conditions stabilised somewhat in the second half and the stock of high-risk assets reduced from its peak in August 2020. However, despite these encouraging signs the credit risks facing the Group are likely to remain elevated during what is likely to be a difficult and uneven economic recovery.

Full year 2020 credit impairment increased by $1,388 million to $2,294 million but was $840 million lower in 2H'20 compared to 1H'20 while credit impairment in 4Q'20 was broadly flat compared to 4Q'19.

Stage 1 and 2 impairments increased to $827 million due to deteriorating macroeconomic variables and stage downgrades on account of COVID-19 uncertainties. The $565 million increase included an increase in the overlay of $337 million which was net of a $41 million release in 4Q'20. The overlay reflected management's judgement regarding:

- Elements of the macroeconomic outlook not captured in the modelled outcome for Corporate & Institutional Banking and Commercial Banking
- The potential impact to delinquencies and flow rates in Retail Banking of extensions to payment relief schemes and ongoing lockdowns in some markets as well as the ending of these schemes in India, Malaysia, Bangladesh, Nepal and Indonesia

Stage 3 impairments increased by $823 million across all client segments to $1,467 million with broadly one-third relating to three unconnected fraud-related Corporate & Institutional Banking client exposures that were reported in 1Q'20.

Total credit impairment of $2,294 million represents a loan-loss rate of 66 basis points (2019: 27 basis points) with the management overlay contributing 11 basis points.

Gross Stage 3 loans and advances to customers of $9.2 billion were up 25 per cent compared to 31 December 2019, reflecting the impact of COVID-19 volatility which led to macroeconomic deterioration in Retail Banking portfolios and Corporate & Institutional Banking and Commercial Banking clients. These credit-impaired loans represented 3.2 per cent of gross loans and advances, an increase of 50 basis points compared to 31 December 2019. The stage 3 cover ratio decreased to 58 per cent from 68 per cent in 2019 due to write-offs particularly in relation to Corporate & Institutional Banking and Commercial Banking clients and new downgrades with low levels of coverage, which have benefited from credit insurance and guarantees, including from export credit agencies. The cover ratio post tangible collateral decreased to 76 per cent from 85 per cent in 2019 with some of the 2020 downgrades being covered by guarantees and insurance which are not included as tangible collateral.

Credit grade 12 balances increased 35 per cent since 31 December 2019 primarily from new inflows from Early Alert Non-Purely Precautionary (EANPP) accounts. These EANPP accounts more than doubled to $10.7 billion in 2020 on the back of proactive portfolio and sector reviews, particularly for vulnerable sectors but have declined through 2H'20 since the peak in August 2020. The Group continues to monitor its exposures in the Aviation, Hospitality and Oil & Gas sectors particularly carefully, given the unusual stresses caused by the effects of COVID-19.

The proportion of investment grade corporate exposures has increased since 31 December 2019 by 1 percentage point to 62 per cent.

Restructuring, goodwill impairment and other items

	FY20			FY19			4Q'20		
	Restructuring $million	**Goodwill impairment $million**	**Other items $million**	Restructuring $million	Goodwill impairment $million	Other items $million	Restructuring $million	Goodwill impairment $million	Other items $million
Operating income	27	-	(38)	146	-	-	(41)	-	(9)
Operating expenses	(252)	-	14	(298)	-	(226)	(168)	-	-
Credit impairment	(31)	-	-	(2)	-	-	(17)	-	-
Other impairment	(113)	(489)	-	(98)	(27)	-	(18)	-	-
Profit from associates and joint ventures	(13)	-	-	(2)	-	48	(4)	-	-
Loss before taxation	(382)	(489)	(24)	(254)	(27)	(178)	(248)	-	(9)

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

Restructuring charges of $382 million for 2020 are broadly split evenly between actions to exit the Group's discontinued businesses, primarily ship leasing and principal finance, and actions to transform the organisation to improve productivity, primarily redundancy related charges, the majority of which were booked in 4Q'20. Charges related to restructuring increased 50 per cent due to the significant decline in income from discontinued businesses, including negative movements in the valuation of principal finance investments primarily recorded in 4Q'20.

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

Other restructuring items also include a $43 million dilution loss following the initial public offering of the Group's associate in China Bohai Bank. Charges related to other items reduced 87 per cent primarily due to the regulatory provisions booked in the prior year.

The Group is likely to incur further restructuring charges of around $500 million over the next few years, primarily in 2021, relating predominantly to people and property actions intended to generate enduring productivity improvements.

Group Chief Financial Officer's review continued

Balance sheet and liquidity

	31.12.20 $million	30.09.20 $million	Change[1] %	30.06.20 $million	Change[1] %	31.12.19 $million	Change[1] %
Assets							
Loans and advances to banks	**44,347**	49,040	(10)	50,499	(12)	53,549	(17)
Loans and advances to customers	**281,699**	281,380	-	276,313	2	268,523	5
Other assets	**463,004**	424,009	9	414,773	12	398,326	16
Total assets	**789,050**	754,429	5	741,585	6	720,398	10
Liabilities							
Deposits by banks	**30,255**	28,138	8	28,986	4	28,562	6
Customer accounts	**439,339**	417,517	5	421,153	4	405,357	8
Other liabilities	**268,727**	258,204	4	241,549	11	235,818	14
Total liabilities	**738,321**	703,859	5	691,688	7	669,737	10
Equity	**50,729**	50,570	-	49,897	2	50,661	-
Total equity and liabilities	**789,050**	754,429	5	741,585	6	720,398	10
Advances-to-deposits ratio (%)[2,3]	**61.1%**	63.8%	(2.7)	62.7%	(1.6)	64.2%	(3.1)
Liquidity coverage ratio (%)[3]	**143%**	142%	1	149%	(6)	144%	(1)

1 Variance is increase/(decrease)comparing current reporting period to prior reporting periods
2 The Group now excludes $14,296 million held with central banks (30.09.20: $14,363 million, 30.06.20: $13,595 million, 31.12.19: $9,109 million) that has been confirmed as repayable at the point of stress
3 Change is the percentage points difference between the two points rather than the percentage change

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

- Loans and advances to banks decreased 17 per cent since 31 December 2019 as the Group ran down its Financial Institutions Trade Loan book to optimise balance sheet returns in a low interest rate environment
- Loans and advances to customers increased 5 per cent since 31 December 2019 to $282 billion driven mainly by growth in Mortgages and Treasury Products. Volumes were broadly stable in 4Q'20 with underlying growth in Mortgages, primarily in GCNA, offset by the roll-off of temporary balances booked in 3Q'20 relating to initial public offerings in Hong Kong. Excluding the impact of the temporary balances and movements in reverse repurchase agreements, loans and advances to customers grew an underlying 2 per cent in 4Q'20 equivalent to a 7 per cent annualised growth rate
- Customer accounts of $439 billion increased 8 per cent since 31 December 2019 with an increase in operating account balances within Cash Management and in Retail current and saving accounts partly offset by a reduction in Corporate and Retail Time Deposits
- Other assets and other liabilities since 31 December 2019 were 16 per cent and 14 per cent higher, respectively. The growth in other assets was driven by increased balances at central banks and reverse repurchase agreements to support the strong growth in Financial Markets. The growth in other liabilities reflects repurchase agreements and issued debt securities

The advances-to-deposits ratio decreased to 61.1 per cent from 64.2 per cent at 31 December 2019 while the point-in-time liquidity coverage ratio was broadly stable at 143 per cent and has remained resilient throughout the year despite significant market disruption in 1H'20.

Risk-weighted assets

	31.12.20 $million	30.09.20 $million	Change[1] %	30.06.20 $million	Change[1] %	31.12.19 $million	Change[1] %
By risk type							
Credit risk	**220,441**	217,720	1	213,136	3	215,664	2
Operational risk	**26,800**	26,800	-	26,800	-	27,620	(3)
Market risk	**21,593**	22,144	(2)	22,616	(5)	20,806	4
Total RWAs	**268,834**	266,664	1	262,552	2	264,090	2

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

Total risk-weighted assets (RWA) increased 2 per cent or $4.7 billion since 31 December 2019 to $268.8 billion.

- Credit Risk RWA increased $4.8 billion to $220.4 billion, driven by an increase of $15 billion from negative credit migration related to the impact of economic disruption due to COVID-19, of which $3 billion occurred in 4Q'20, underlying asset growth of $6 billion as well as unfavourable FX movements of $2 billion. This was partly offset by the completion of the sale of the Group's interest in PT Bank Permata Tbk (Permata) in Indonesia – which reduced Credit RWA by $8 billion – and a $11 billion reduction from improved RWA density and the impact of RWA optimisation actions
- Market Risk RWA increased by $0.8 billion to $21.6 billion due to higher levels of Financial Markets activity with increased value-at-risk from elevated market volatility partly offset by regulatory mitigation for back-testing exceptions
- Operational Risk RWA reduced by $0.8 billion primarily reflecting a $1 billion reduction relating to the disposal of the Group's stake in Permata

Capital base and ratios

	31.12.20 $million	30.09.20 $million	Change[1] %	30.06.20 $million	Change[1] %	31.12.19 $million	Change[1] %
CET1 capital	**38,779**	38,449	1	37,625	3	36,513	6
Additional Tier 1 capital (AT1)	**5,612**	5,611	-	5,612	-	7,164	(22)
Tier 1 capital	**44,391**	44,060	1	43,237	3	43,677	2
Tier 2 capital	**12,657**	12,991	(3)	13,231	(4)	12,288	3
Total capital	**57,048**	57,051	-	56,468	1	55,965	2
CET1 capital ratio (%)[2]	**14.4**	14.4	-	14.3	0.1	13.8	0.6
Total capital ratio (%)[2]	**21.2**	21.4	(0.2)	21.5	(0.3)	21.2	-
UK leverage ratio (%)[2]	**5.2**	5.2	-	5.2	-	5.2	-

1 Variance is increase/(decrease) comparing current reporting period to prior reporting periods
2 Change is percentage points difference between two points rather than percentage change

The Group remains very well capitalised and highly liquid with all metrics above regulatory thresholds.

The Group's common equity tier 1 (CET1) ratio of 14.4 per cent was above the top-end of the 13-14 per cent target range, 60 basis points higher than as at 31 December 2019 and over four percentage points above the Group's latest regulatory minimum of 10.0 per cent.

The primary driver of the increase in the CET1 ratio was the completion in 2Q'20 of the sale of the Group's stake in Permata, which resulted in an increase in the CET1 ratio of approximately 50 basis points.

The Group announced on 31 March 2020 that in response to a request from the Prudential Regulation Authority (PRA) and as a consequence of the unprecedented challenges facing the world due to the COVID-19 pandemic, the Board had decided after careful consideration to withdraw the recommendation to pay a final dividend for 2019 of 20 cents per ordinary share which increased the CET1 ratio by approximately 20 basis points.

Various amendments to the Capital Requirements Regulation increased the CET1 ratio by 29 basis points, of which 22 basis points related to the revised treatment in 4Q'20 of software assets in CET1. Profit accretion and other items including the net impact of FX movement on reserves and RWAs contributed an increase in the CET1 ratio of approximately 40 basis points.

Group Chief Financial Officer's review continued

The impact on credit risk RWAs from negative credit migration, higher RWA on derivatives and revolving credit facilities led to approximately 60 basis point reduction in the CET1 ratio.

The Group had purchased 40 million ordinary shares for $242 million through the buy-back programme announced on 28 February 2020 which reduced the Group's CET1 ratio by approximately 10 basis points.

Following the publication of recent PRA guidance, the Board has recommended a final ordinary dividend of 9 cents per share or $284 million. The accrual of the 2020 final ordinary share dividend reduced the year-end CET1 ratio by approximately 10 basis points.

The Board has also decided to carry out a share buy-back for up to a maximum consideration of $254 million to further reduce the number of ordinary shares in issue by cancelling the repurchased shares. The terms of the buy-back will be announced and the programme will start shortly and is expected to reduce the Group's CET1 ratio in the first quarter of 2021 by approximately 10 basis points.

The UK leverage ratio remained at 5.2 per cent, significantly above the Group's minimum requirement of 3.6 per cent.

Outlook

Improving prospects for COVID-19 vaccines should enable the global economy to transition back to growth through 2021, with pre-pandemic growth rates re-emerging in most of our markets from 2022. We believe that our decision to continue investing in the transformation of our business throughout the crisis will enable us to disproportionately benefit from that recovery over time, not least because it will most likely be led by large markets in Asia where we generate two-thirds of our income.

Overall income in 2021 is expected to be similar to that achieved in 2020 at constant currency given the full-year impact of the global interest rate cuts that occurred in 1H'20, which will likely cause 1H'21 income to be lower than last year. The FY'21 net interest margin should stabilise at marginally below the 4Q'20 level of 1.24 per cent. Our performance in the opening weeks of this year gives us the confidence that we are on the right track with strong performances in our less interest rate-sensitive Financial Markets and Wealth Management businesses. We expect income to return to 5 to 7 per cent growth per annum from 2022.

We expect pressure on credit impairments to reduce this year compared with 2020. Expenses are likely to increase slightly in FY'21 as we continue to invest in our digital capabilities but should remain below $10 billion at constant currency and excluding the UK bank levy, supported in part by restructuring actions in 4Q'20 and through FY'21.

We will continue to manage our balance sheet prudently, particularly throughout the remainder of the pandemic. Our intent is to operate within our 13 to 14 per cent target CET1 range and we will seek approval to return to shareholders capital that cannot be deployed profitably within the business through a mixture of dividends and share buy-backs.

The progress we were making up to the onset of the COVID-19 pandemic in every key financial and strategic metric gives us confidence that we can achieve our ambition to deliver a double-digit RoTE. By 2023 we expect to deliver at least 7 per cent RoTE, higher if interest rates normalise earlier than anticipated, through strong operating leverage and disciplined capital management.

Andy Halford

Group Chief Financial Officer

25 February 2021

Supplementary financial information

Underlying performance by client segment

	2020					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Operating income	7,214	5,013	1,409	540	589	14,765
External	7,083	4,322	1,320	374	1,666	14,765
Inter-segment	131	691	89	166	(1,077)	-
Operating expenses	(4,178)	(3,701)	(878)	(476)	(909)	(10,142)
Operating profit/(loss) before impairment losses and taxation	3,036	1,312	531	64	(320)	4,623
Credit impairment	(1,237)	(715)	(316)	(2)	(24)	(2,294)
Other impairment	42	(10)	(1)	-	(16)	15
Profit from associates and joint ventures	-	-	-	-	164	164
Underlying profit/(loss) before taxation	1,841	587	214	62	(196)	2,508
Restructuring	(164)	(50)	(57)	(11)	(100)	(382)
Goodwill impairment & other items	-	-	-	-	(513)	(513)
Statutory profit/(loss) before taxation	1,677	537	157	51	(809)	1,613
Total assets	355,401	118,067	32,902	13,716	268,964	789,050
Of which: loans and advances to customers[2]	160,629	115,611	27,342	13,619	19,075	336,276
loans and advances to customers	109,043	115,476	24,498	13,619	19,063	281,699
loans held at fair value through profit or loss	51,586	135	2,844	-	12	54,577
Total liabilities	429,239	158,827	51,803	18,882	79,570	738,321
Of which: customer accounts[2]	262,201	154,831	48,578	18,675	7,869	492,154
Risk-weighted assets	136,622	47,170	28,469	5,923	50,650	268,834
Underlying return on tangible equity (%)	6.6	6.5	3.4	4.8	(12.0)	3.0
Cost to income ratio (%)	57.9	73.8	62.3	88.1	98.1	66.4

	2019 (Restated)[1]					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Operating income	7,074	5,186	1,574	577	860	15,271
External	7,264	4,236	1,618	329	1,824	15,271
Inter-segment	(190)	950	(44)	248	(964)	–
Operating expenses	(4,310)	(3,759)	(953)	(514)	(873)	(10,409)
Operating profit/(loss) before impairment losses and taxation	2,764	1,427	621	63	(13)	4,862
Credit impairment	(475)	(336)	(122)	31	(4)	(906)
Other impairment	(32)	2	–	–	(8)	(38)
Profit from associates and joint ventures	–	–	–	–	254	254
Underlying profit before taxation	2,257	1,093	499	94	229	4,172
Restructuring	(110)	(63)	(11)	(11)	(59)	(254)
Goodwill impairment & other items	–	–	–	–	(205)	(205)
Statutory profit/(loss) before taxation	2,147	1,030	488	83	(35)	3,713
Total assets	326,565	109,368	33,978	14,922	235,565	720,398
Of which: loans and advances to customers[2]	153,884	107,140	28,831	14,821	10,078	314,754
loans and advances to customers	108,746	106,902	27,978	14,821	10,076	268,523
loans held at fair value through profit or loss	45,138	238	853	–	2	46,231
Total liabilities	387,561	148,413	41,628	18,480	73,655	669,737
Of which: customer accounts[2]	243,269	144,760	38,847	18,424	7,433	452,733
Risk-weighted assets	129,084	44,508	30,976	6,409	53,113	264,090
Underlying return on tangible equity (%)	8.5	12.7	7.4	7.3	(5.1)	6.4
Cost to income ratio (%)	60.9	72.5	60.5	89.1	61.2	65.9

1 Following a reorganisation of certain clients, there has been a reclassification of balances across client segments
2 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements

Supplementary financial information continued

Corporate & Institutional Banking

	4Q'20 $million	4Q'19[2] $million	Change[3] %	Constant currency change[1,3] %	3Q'20 $million	Change[3] %	Constant currency change[1,3] %	FY20 $million	FY19[2] $million	Change[3] %	Constant currency change[1,3] %
Operating income	**1,492**	1,692	(12)	(12)	1,735	(14)	(15)	**7,214**	7,074	2	3
Transaction Banking	**480**	619	(22)	(23)	484	(1)	(2)	**2,084**	2,604	(20)	(19)
Trade	**162**	165	(2)	(1)	162	–	(2)	**634**	698	(9)	(8)
Cash Management	**318**	454	(30)	(30)	322	(1)	(2)	**1,450**	1,906	(24)	(23)
Financial Markets	**621**	643	(3)	(3)	830	(25)	(26)	**3,532**	2,923	21	23
Foreign Exchange	**229**	223	3	6	228	–	(2)	**1,121**	943	19	21
Rates	**144**	158	(9)	(10)	197	(27)	(28)	**1,036**	664	56	59
Commodities	**32**	31	3	7	53	(40)	(40)	**196**	138	42	42
Credit and Capital Markets	**163**	121	35	34	179	(9)	(10)	**602**	547	10	11
Capital Structuring Distribution Group	**58**	75	(23)	(24)	76	(24)	(25)	**238**	295	(19)	(18)
DVA	**(69)**	(72)	4	3	(22)	nm[7]	nm[7]	**13**	(100)	113	113
Securities Services	**78**	84	(7)	(8)	79	(1)	(4)	**320**	342	(6)	(5)
Other Financial Markets	**(14)**	23	(161)	(157)	40	(135)	(134)	**6**	94	(94)	(93)
Corporate Finance	**261**	306	(15)	(14)	256	2	2	**1,013**	1,032	(2)	–
Lending and Portfolio Management	**139**	132	5	5	161	(14)	(14)	**604**	540	12	13
Other	**(9)**	(8)	(13)	(13)	4	nm[7]	nm[7]	**(19)**	(25)	24	14
Operating expenses	**(1,127)**	(1,110)	(2)	(1)	(1,066)	(6)	(4)	**(4,178)**	(4,310)	3	2
Operating profit before impairment losses and taxation	**365**	582	(37)	(36)	669	(45)	(45)	**3,036**	2,764	10	11
Credit impairment	**(120)**	(206)	42	42	(132)	9	13	**(1,237)**	(475)	(160)	(167)
Other impairment	**(61)**	(5)	nm[7]	nm[7]	(12)	nm[7]	nm[7]	**42**	(32)	nm[7]	nm[7]
Underlying profit before taxation	**184**	371	(50)	(48)	525	(65)	(64)	**1,841**	2,257	(18)	(18)
Restructuring	**(96)**	(28)	nm[7]	nm[7]	(12)	nm[7]	nm[7]	**(164)**	(110)	(49)	(49)
Statutory profit before taxation	**88**	343	(74)	(73)	513	(83)	(82)	**1,677**	2,147	(22)	(21)
Total assets	**355,401**	326,565	9	8	338,690	5	4	**355,401**	326,565	9	8
Of which: loans and advances to customers[4]	**160,629**	153,884	4	3	167,015	(4)	(5)	**160,629**	153,884	4	3
Total liabilities	**429,239**	387,561	11	10	402,786	7	5	**429,239**	387,561	11	10
Of which: customer accounts[4]	**262,201**	243,269	8	7	255,631	3	1	**262,201**	243,269	8	7
Risk-weighted assets	**136,622**	129,084	6	nm[7]	138,412	(1)	nm[7]	**136,622**	129,084	6	nm[7]
Underlying return on risk-weighted assets (%)[5]	**0.5**	1.1	(60)bps	nm[7]	1.5	(100)bps	nm[7]	**1.3**	1.7	(40)bps	nm[7]
Underlying return on tangible equity (%)[5]	**2.7**	5.6	(290)bps	nm[7]	7.4	(470)bps	nm[7]	**6.6**	8.5	(190)bps	nm[7]
Cost to income ratio (%)[6]	**75.5**	65.6	(9.9)	(9.2)	61.4	(14.1)	(13.5)	**57.9**	60.9	3.0	3.0

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods
2 Following a reorganisation of certain clients, there has been a reclassification of balances across client segments
3 Variance is better/(worse) other than risk-weighted assets, assets and liabilities which is increase/(decrease)
4 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements
5 Change is the basis points (bps) difference between the two periods rather than the percentage change
6 Change is the percentage points difference between the two periods rather than the percentage change
7 Not meaningful

Supplementary financial information continued

Segment overview

Corporate & Institutional Banking supports clients with their transaction banking, corporate finance, financial markets and borrowing needs across 50 markets, providing solutions to more than 5,000 clients in some of the world's fastest-growing economies and most active trade corridors.

Our clients include large corporations, governments, banks and investors operating or investing in Asia, Africa and the Middle East. Our strong and deep local presence across these markets enables us to connect our clients multilaterally to investors, suppliers, buyers and sellers and enable them to move capital, manage risk, invest to create wealth, and to help co-create bespoke financing solutions.

We collaborate increasingly with other segments, introducing Commercial Banking services to our clients' ecosystem partners – their networks of buyers, suppliers, customers and service providers – and offering our clients' employees banking services through Retail Banking.

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

Strategic priorities

- Deliver sustainable growth for clients by leveraging our network to facilitate trade, capital and investment flows across our footprint markets
- Generate high-quality returns by growing 'capital-lite'[1] income, driving balance sheet velocity and improving funding quality while maintaining risk controls
- Be the leading digital banking platform providing network services and partner with third parties to expand capabilities and to access new clients
- Accelerate our sustainable finance offering to our clients through product innovation and enabling transition to a low carbon future

Progress

- Network income was down 10 per cent due to the impact of lower interest rates, particularly in Cash Management. Underlying quality of income remains resilient and our network continues to generate 58 per cent of total income
- Maintained balance sheet quality with investment grade net exposures representing 65 per cent of total corporate net exposures (2019: 65 per cent) and high-quality operating account balances improving to 64 per cent of Transaction Banking and Securities Services customer balances (2019: 61 per cent)
- Migrated c.15,000 client entities to S2B[2] NextGen platform and increased S2B cash payment transaction volumes by 4 per cent
- Resilient performance driven by diversified product suite and expanded client solutions delivering growth despite challenging geopolitical and macroeconomic conditions across footprint markets

Performance highlights

- Underlying profit before tax of $1,841 million down 18 per cent, primarily driven by higher credit impairments, partially offset by higher income and lower expenses
- Underlying operating income of $7,214 million up 2 per cent, primarily driven by Financial Markets on the back of higher market volatility offsetting lower income from Cash Management impacted by a lower interest rate environment
- Good balance sheet momentum with total assets up 9 per cent, of which loans and advances to customers were up 4 per cent
- Underlying RoTE decreased from 8.5 per cent to 6.6 per cent

1 Capital-lite income refers to products with low RWA consumption or of a non-funded nature. This mainly includes Cash Management and FX products
2 Our next generation Transaction Banking digital platform

Supplementary financial information continued

Retail Banking

	4Q'20 $million	4Q'19[2] $million	Change[3] %	Constant currency change[1,3] %	3Q'20 $million	Change[3] %	Constant currency change[1,3] %	FY20 $million	FY19[2] $million	Change[3] %	Constant currency change[1,3] %
Operating income	**1,175**	1,260	(7)	(7)	1,301	(10)	(11)	**5,013**	5,186	(3)	(2)
Transaction Banking	**5**	5	–	–	5	–	–	**19**	19	–	–
Trade	**5**	5	–	–	5	–	–	**19**	19	–	–
Wealth Management	**355**	341	4	3	471	(25)	(25)	**1,586**	1,516	5	5
Retail Products	**816**	906	(10)	(10)	825	(1)	(3)	**3,401**	3,642	(7)	(5)
CCPL and other unsecured lending	**303**	311	(3)	(4)	309	(2)	(4)	**1,211**	1,251	(3)	(2)
Deposits	**247**	440	(44)	(44)	276	(11)	(11)	**1,326**	1,804	(26)	(25)
Mortgage and Auto	**226**	119	90	85	202	12	9	**716**	475	51	51
Other Retail Products	**40**	36	11	18	38	5	–	**148**	112	32	35
Other	**(1)**	8	(113)	(113)	–	nm[7]	–	**7**	9	(22)	(33)
Operating expenses	**(1,006)**	(993)	(1)	(1)	(915)	(10)	(9)	**(3,701)**	(3,759)	2	–
Operating profit before impairment losses and taxation	**169**	267	(37)	(39)	386	(56)	(58)	**1,312**	1,427	(8)	(8)
Credit impairment	**(156)**	(100)	(56)	(57)	(129)	(21)	(19)	**(715)**	(336)	(113)	(116)
Other impairment	**(9)**	2	nm[7]	nm[7]	–	nm[7]	nm[7]	**(10)**	2	nm[7]	nm[7]
Underlying profit before taxation	**4**	169	(98)	(100)	257	(98)	(100)	**587**	1,093	(46)	(47)
Restructuring	**(36)**	(54)	33	29	(11)	nm[7]	nm[7]	**(50)**	(63)	21	17
Statutory profit/(loss) before taxation	**(32)**	115	(128)	(131)	246	(113)	(115)	**537**	1,030	(48)	(49)
Total assets	**118,067**	109,368	8	5	111,275	6	3	**118,067**	109,368	8	5
Of which: loans and advances to customers[4]	**115,611**	107,140	8	5	108,828	6	3	**115,611**	107,140	8	5
Total liabilities	**158,827**	148,413	7	5	153,278	4	1	**158,827**	148,413	7	5
Of which: customer accounts[4]	**154,831**	144,760	7	5	149,793	3	1	**154,831**	144,760	7	5
Risk-weighted assets	**47,170**	44,508	6	nm[7]	44,845	5	nm[7]	**47,170**	44,508	6	nm[7]
Underlying return on risk-weighted assets (%)[5]	**–**	1.5	(150)bps	nm[7]	2.3	(230)bps	nm[7]	**1.3**	2.6	(130)bps	nm[7]
Underlying return on tangible equity (%)[5]	**0.2**	7.5	(730)bps	nm[7]	11.3	(1,110)bps	nm[7]	**6.5**	12.7	(620)bps	nm[7]
Cost to income ratio (%)[6]	**85.6**	78.8	(6.8)	(7.2)	70.3	(15.3)	(15.5)	**73.8**	72.5	(1.3)	(1.7)

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3 Variance is better/(worse) other than risk-weighted assets, assets and liabilities which is increase/(decrease)
4 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements
5 Change is the basis points (bps) difference between the two periods rather than the percentage change
6 Change is the percentage points difference between the two periods rather than the percentage change
7 Not meaningful

Segment overview

Retail Banking serves more than nine million individuals and small businesses, with a focus on affluent and emerging affluent in many of the world's fastest-growing cities. We provide digital banking services with a human touch to our clients, with services spanning across deposits, payments, financing products and Wealth Management. We also support our clients with their business banking needs.

Retail Banking represents around one-third of the Group's operating income and one-quarter of its operating profit. We are closely integrated with the Group's other client segments; for example, we offer employee banking services to Corporate & Institutional Banking clients, and Retail Banking provides a source of high-quality liquidity for the Group.

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

Supplementary financial information continued

Strategic priorities

- Invest in our affluent and emerging affluent clients with a focus on Wealth Management and Deposits to capture the significant rise of the middle class in our markets
- Improve our clients' experience through an enhanced end-to-end digital offering, with intuitive platforms, best-in-class products and service responding to the change in digital habits of clients in our markets

Progress

- Increased the share of income from more affluent Premium and Priority clients from 57 per cent in 2019 to 59 per cent as a result of resilient performance in Wealth Management and Mortgages and CCPL income growth
- Premium Banking income has grown 15 per cent since the launch in ten markets last year
- Mox launched in Hong Kong in September 2020 and at the end of 2020 had 66,000 customers, more than $670 million in deposits and is one of the highest rated and most-reviewed virtual banks
- Our fully digital African banks have now acquired half a million new customers. 75 per cent are below the age of 35, which is helping to build our pipeline of next generation emerging affluent clients
- We have announced a 'banking-as-a-service' solution, nexus, for consumer platforms, such as e-commerce, social media or ride hailing companies, so these companies can offer their own branded financial services to their customers. We have signed up Sociolla and Bukalapak in Indonesia as partners
- Exponential increase in digital sales, up over 300 per cent driven by our Ant Financial partnership in China, Mox and our nine digital banks in Africa & Middle East
- A further improvement in digital adoption, with 61 per cent of clients now actively using online or mobile banking compared with 54 per cent in 2019

Performance highlights

- Underlying profit before tax of $587 million was down 46 per cent driven by lower income and higher credit impairments. Expenses were well-managed and slightly lower
- Underlying operating income of $5,013 million was down 3 per cent. Greater China & North Asia was down 1 per cent, ASEAN & South Asia was down 5 per cent and Africa & Middle East was down 9 per cent (down 1, 3 and 5 per cent on a constant currency basis, respectively)
- Strong income momentum growth from Mortgages and Business Banking Lending with improved margins and balance sheet growth and 5 per cent growth in Wealth Management. These were offset by Deposit margin compression, impacted by a lower interest rate environment, which was partially offset by 7 per cent growth in Customer Accounts
- Underlying RoTE decreased to 6.5 per cent from 12.7 per cent

Supplementary financial information continued

Commercial Banking

	4Q'20 $million	4Q'19[2] $million	Change[3] %	Constant currency change[1,3] %	3Q'20 $million	Change[3] %	Constant currency change[1,3] %	**FY20 $million**	FY19[2] $million	Change[3] %	Constant currency change[1,3] %
Operating income	**328**	375	(13)	(12)	341	(4)	(5)	**1,409**	1,574	(10)	(9)
Transaction Banking	**167**	210	(20)	(21)	175	(5)	(6)	**734**	876	(16)	(16)
Trade	**82**	89	(8)	(8)	87	(6)	(6)	**340**	383	(11)	(11)
Cash Management	**85**	121	(30)	(30)	88	(3)	(6)	**394**	493	(20)	(20)
Financial Markets	**76**	73	4	6	79	(4)	(5)	**322**	335	(4)	(2)
Foreign Exchange	**38**	41	(7)	(10)	38	–	(5)	**170**	184	(8)	(5)
Rates	**6**	5	20	–	4	50	–	**32**	32	–	–
Commodities	**5**	6	(17)	–	7	(29)	(29)	**27**	27	–	–
Credit and Capital Markets	**12**	4	200	140	9	33	33	**37**	30	23	23
Capital Structuring Distribution Group	**12**	11	9	20	15	(20)	(25)	**36**	34	6	6
Securities Services	**–**	1	(100)	nm[7]	–	nm[7]	nm[7]	**–**	1	(100)	nm[7]
Other Financial Markets	**3**	5	(40)	(17)	6	(50)	25	**20**	27	(26)	(26)
Corporate Finance	**24**	22	9	9	28	(14)	(11)	**103**	109	(6)	(4)
Lending and Portfolio Management	**60**	69	(13)	(10)	61	(2)	(5)	**244**	246	(1)	2
Wealth Management	**–**	–	nm[7]	nm[7]	1	(100)	nm[7]	**1**	1	–	(50)
Retail Products	**2**	1	100	(50)	1	100	–	**6**	6	–	–
Deposits	**2**	1	100	(50)	1	100	–	**6**	6	–	(14)
Other	**(1)**	–	nm[7]	100	(4)	75	100	**(1)**	1	(200)	–
Operating expenses	**(232)**	(264)	12	11	(225)	(3)	(3)	**(878)**	(953)	8	6
Operating profit before impairment losses and taxation	**96**	111	(14)	(13)	116	(17)	(19)	**531**	621	(14)	(14)
Credit impairment	**(82)**	(65)	(26)	(28)	(97)	15	15	**(316)**	(122)	(159)	(170)
Other impairment	**(1)**	–	nm[7]	nm[7]	–	nm[7]	nm[7]	**(1)**	–	nm[7]	nm[7]
Underlying profit before taxation	**13**	46	(72)	(73)	19	(32)	(40)	**214**	499	(57)	(57)
Restructuring	**(33)**	(11)	(200)	nm[7]	(6)	nm[7]	nm[7]	**(57)**	(11)	nm[7]	nm[7]
Statutory profit/(loss) before taxation	**(20)**	35	(157)	(153)	13	nm[7]	nm[7]	**157**	488	(68)	(68)
Total assets	**32,902**	33,978	(3)	(5)	32,845	–	(1)	**32,902**	33,978	(3)	(5)
Of which: loans and advances to customers[4]	**27,342**	28,831	(5)	(7)	27,353	–	(2)	**27,342**	28,831	(5)	(7)
Total liabilities	**51,803**	41,628	24	23	44,518	16	15	**51,803**	41,628	24	23
Of which: customer accounts[4]	**48,578**	38,847	25	23	41,420	17	16	**48,578**	38,847	25	23
Risk-weighted assets	**28,469**	30,976	(8)	nm[7]	30,495	(7)	nm[7]	**28,469**	30,976	(8)	nm[7]
Underlying return on risk-weighted assets (%)[5]	**0.2**	0.6	(40)bps	nm[7]	0.2	–	nm[7]	**0.7**	1.5	(80)bps	nm[7]
Underlying return on tangible equity (%)[5]	**0.8**	2.9	(210)bps	nm[7]	1.3	(50)bps	nm[7]	**3.4**	7.4	(400)bps	nm[7]
Cost to income ratio (%)[6]	**70.7**	70.4	(0.3)	(0.3)	66.0	(4.7)	(5.0)	**62.3**	60.5	(1.8)	(2.0)

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods
2 Following a reorganisation of certain clients, there has been a reclassification of balances across client segments
3 Variance is better/(worse) other than risk-weighted assets, assets and liabilities which is increase/(decrease)
4 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements
5 Change is the basis points (bps) difference between the two periods rather than the percentage change
6 Change is the percentage points difference between the two periods rather than the percentage change
7 Not meaningful

Supplementary financial information continued

Segment overview

Commercial Banking serves more than 43,000[1] local corporations and medium-sized enterprises in 22 markets across Asia, Africa and the Middle East. We aim to be our clients' main international bank, providing a full range of international financial services in areas such as trade finance, cash management, financial markets and corporate finance.

Through our close linkages with Retail Banking and Private Banking, our clients can access additional services they value including employee banking services and personal wealth solutions. We also collaborate with Corporate & Institutional Banking to service clients' end-to-end supply chains.

Our clients represent a large and important part of the economies we serve and are potential future multinational corporates. Commercial Banking is at the heart of the Group's shared purpose to drive commerce and prosperity through our unique diversity.

Strategic Priorities

- Drive quality sustainable growth by deepening relationships with existing clients and onboarding new clients, focusing on rapidly growing and internationalising companies
- Improve balance sheet and income mix, accelerating utilisation of growth in Cash and FX products.
- Continue to enhance capital allocation discipline and credit risk management
- Improve client experience, using technology and investing in frontline training, tools and analytics

Progress

- Onboarded 6,500 new clients in 2020, which helped generate $78 million additional income and $3 billion additional cash liabilities
- Double-digit income growth seen in the Hong Kong–Taiwan, Taiwan–Singapore and Singapore–India corridors as we continue to tap their potential to help our Commercial Banking clients capture international opportunities
- Maintained cost discipline (down 8 per cent) while reducing RWAs (down 8 per cent)
- RWA efficiency[2] improved to 65 per cent in 2020 (2019: 70 per cent)
- Continued to improve client experience: reduced client turnaround time from five to four days
- Good progress on client satisfaction with Commercial Banking client engagement improving to 31 per cent (2019: 26 per cent)

Performance highlights

- Underlying profit before tax of $214 million was down 57 per cent mainly due to lower income and higher credit impairments from the effects of COVID-19
- Underlying operating income of $1,409 million was down 10 per cent mainly driven by lower Transaction Banking income
- ASEAN & South Asia, Greater China & North Asia and Africa & Middle East income was down 6, 14 and 14 per cent, respectively
- Underlying RoTE reduced from 7.4 per cent to 3.4 per cent

1 Relates to individual entities
2 RWA efficiency is derived as credit RWA divided by assets and contingents

Supplementary financial information continued

Private Banking

	4Q'20 $million	4Q'19 $million	Change[2] %	Constant currency change[1,2] %	3Q'20 $million	Change[2] %	Constant currency change[1,2] %	FY20 $million	FY19 $million	Change[2] %	Constant currency change[1,2] %
Operating income	111	126	(12)	(13)	129	(14)	(13)	540	577	(6)	(6)
Transaction Banking	–	–	nm[6]	nm[6]	1	(100)	nm[6]	1	–	nm[6]	nm[6]
Trade	–	–	nm[6]	nm[6]	1	(100)	nm[6]	1	–	nm[6]	nm[6]
Wealth Management	81	74	9	8	96	(16)	(16)	381	362	5	5
Retail Products	30	53	(43)	(42)	33	(9)	(6)	159	214	(26)	(26)
Deposits	22	43	(49)	(48)	24	(8)	(8)	125	179	(30)	(30)
Mortgage and Auto	8	11	(27)	(20)	9	(11)	(11)	34	36	(6)	(6)
Other Retail Products	–	(1)	100	nm[6]	–	nm[6]	100	–	(1)	100	nm[6]
Other	–	(1)	100	nm[6]	(1)	100	nm[6]	(1)	(1)	–	–
Operating expenses	(123)	(127)	3	4	(114)	(8)	(7)	(476)	(514)	7	7
Operating profit/(loss) before impairment losses and taxation	(12)	(1)	nm[6]	nm[6]	15	(180)	(167)	64	63	2	–
Credit impairment	1	(2)	150	150	2	(50)	(50)	(2)	31	(106)	(106)
Underlying profit/(loss) before taxation	(11)	(3)	nm[6]	nm[6]	17	(165)	(153)	62	94	(34)	(35)
Restructuring	(7)	(6)	(17)	(40)	(1)	nm[6]	nm[6]	(11)	(11)	–	–
Statutory profit/(loss) before taxation	(18)	(9)	(100)	(167)	16	nm[6]	(194)	51	83	(39)	(39)
Total assets	13,716	14,922	(8)	(9)	13,626	1	(1)	13,716	14,922	(8)	(9)
Of which: loans and advances to customers[3]	13,619	14,821	(8)	(10)	13,528	1	(1)	13,619	14,821	(8)	(10)
Total liabilities	18,882	18,480	2	1	18,641	1	–	18,882	18,480	2	1
Of which: customer accounts[3]	18,675	18,424	1	–	18,507	1	–	18,675	18,424	1	–
Risk-weighted assets	5,923	6,409	(8)	nm[6]	6,251	(5)	nm[6]	5,923	6,409	(8)	nm[6]
Underlying return on risk-weighted assets (%)[4]	(0.7)	(0.2)	(50)bps	nm[6]	1.1	(180)bps	nm[6]	1.0	1.5	(50)bps	nm[6]
Underlying return on tangible equity (%)[4]	(3.3)	(0.8)	(250)bps	nm[6]	5.3	(860)bps	nm[6]	4.8	7.3	(250)bps	nm[6]
Cost to income ratio (%)[5]	110.8	100.8	(10.0)	(9.8)	88.4	(22.4)	(20.7)	88.1	89.1	1.0	0.8

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2 Variance is better/(worse) other than risk-weighted assets, assets and liabilities which is increase/(decrease)
3 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements
4 Change is the basis points (bps) difference between the two periods rather than the percentage change
5 Change is the percentage points difference between the two periods rather than the percentage change
6 Not meaningful

Segment overview

Private Banking offers a full range of investment, credit and wealth planning products to grow, and protect, the wealth of high-net-worth individuals.

Our investment advisory capabilities and product platform are independent from research houses and product providers, allowing us to put client interests at the centre of our business. This is coupled with an extensive network across Asia, Africa and the Middle East which provides clients with relevant market insights and cross-border investment and financing opportunities.

As part of our universal banking proposition, clients can also leverage our global Commercial Banking and Corporate & Institutional Banking capabilities to support their business needs. Private Banking services can be accessed from six leading centres: Hong Kong, Singapore, London, Jersey, Dubai and India.

Strategic priorities

- Leverage significant wealth creation and wealth transfers in our markets to increase franchise scale
- Deliver a unique and compelling client value proposition, which focuses on:
  - Access: through market-leading products and platforms
  - Advice: differentiated investment insights delivered through our bankers and investment advisers
  - Affinity: partnering clients through a sustainable investing offering and our Next Generation programme
- Build adaptive teams with strong leaders and a transparent focus on results
- Build for scale by focusing on efficiency on all fronts
- Sustainable growth through establishment of robust controls and an active "Think Conduct" culture

Progress

- Accelerated our client digital agenda to meet their needs in the new normal:
  - Dedicated efforts to increase client registrations drove adoption rate of our award-winning PvB App to 62 per cent (53 per cent growth in number of users since January 2020)
  - We listened to our clients' needs and launched new functionalities such as portfolio performance analysis capabilities and online publication of market insights; this helped to increase app usage with half of users logging in more than once a month
- Through our virtual rehearsal programme with video-based role play training, we aim to transform a generation of bankers, teaching them how to deliver a high-tech but also high-touch client engagement experience
- Digitisation of our client onboarding has empowered our bankers to prospect beyond their borders and be future-ready:
  - Launch of eSign (digital signatures) in all booking centres, facilitating account opening and credit applications
  - Innovative use of video conferencing solutions as an alternative to face-to-face meeting requirements has improved the client experience as clients are empowered to seamlessly connect with their bankers

Performance highlights

- Underlying profit before tax of $62 million was down 34 per cent, due to non-recurrence of a credit impairment release of $29 million in 2019. Excluding this and normalised for a one-off provision of $4.5 million in 2020, underlying profit was up 1 per cent, benefiting from early cost management actions and strong client engagement driving Wealth Management income expansion
- Underlying operating income of $540 million was down 6 per cent, impacted by margin compression in the deposit book due to rate cuts. This was partially offset by resilient growth from Wealth Management, up 5 per cent, mainly from Structured Products and Equities
- Assets under management increased $6 billion or 9 per cent, driven by $0.7 billion of net new money and positive market movements
- Underlying RoTE decreased from 7.3 to 4.8 per cent

Supplementary financial information continued

Central & other items (segment)

	4Q'20 $million	4Q'19 $million	Change[2] %	Constant currency change[1,2] %	3Q'20 $million	Change[2] %	Constant currency change[1,2] %	FY20 $million	FY19 $million	Change[2] %	Constant currency change[1,2] %
Operating income	**93**	144	(35)	(30)	13	nm[6]	nm[6]	**589**	860	(32)	(31)
Treasury	**92**	196	(53)	(52)	40	130	130	**635**	1,090	(42)	(41)
Other	**1**	(52)	102	97	(27)	104	94	**(46)**	(230)	80	79
Operating expenses	**(461)**	(445)	(4)	4	(160)	(188)	(161)	**(909)**	(873)	(4)	(5)
Operating loss before impairment losses and taxation	**(368)**	(301)	(22)	(8)	(147)	(150)	(116)	**(320)**	(13)	nm[6]	nm[6]
Credit impairment	**(17)**	–	nm[6]	nm[6]	3	nm[6]	nm[6]	**(24)**	(4)	nm[6]	nm[6]
Other impairment	**(11)**	(9)	(22)	–	(3)	nm[6]	nm[6]	**(16)**	(8)	(100)	(67)
Profit from associates and joint ventures	**14**	52	(73)	(74)	74	(81)	(81)	**164**	254	(35)	(36)
Underlying profit/(loss) before taxation	**(382)**	(258)	(48)	(31)	(73)	nm[6]	nm[6]	**(196)**	229	(186)	(159)
Restructuring	**(76)**	(18)	nm[6]	nm[6]	(14)	nm[6]	nm[6]	**(100)**	(59)	(69)	(71)
Goodwill impairment & other items	**(9)**	(14)	36	43	(266)	97	97	**(513)**	(205)	(150)	(149)
Statutory loss before taxation	**(467)**	(290)	(61)	(44)	(353)	(32)	(17)	**(809)**	(35)	nm[6]	nm[6]
Total assets	**268,964**	235,565	14	13	257,993	4	3	**268,964**	235,565	14	13
Of which: loans and advances to customers[3]	**19,075**	10,078	89	87	19,087	–	(3)	**19,075**	10,078	89	87
Total liabilities	**79,570**	73,655	8	7	84,636	(6)	(7)	**79,570**	73,655	8	7
Of which: customer accounts[3]	**7,869**	7,433	6	4	6,694	18	15	**7,869**	7,433	6	4
Risk-weighted assets	**50,650**	53,113	(5)	nm[6]	46,661	9	nm[6]	**50,650**	53,113	(5)	nm[6]
Underlying return on risk-weighted assets (%)[4]	**(3.1)**	(1.9)	(120)bps	nm[6]	(0.6)	(250)bps	nm[6]	**(0.5)**	0.6	(110)bps	nm[6]
Underlying return on tangible equity (%)[4]	**(29.8)**	(23.7)	(610)bps	nm[6]	(9.3)	(2,050)bps	nm[6]	**(12.0)**	(5.1)	(690)bps	nm[6]
Cost to income ratio (%) (excluding UK bank levy)[5]	**139.8**	68.1	(71.7)	(46.2)	nm[6]	nm[6]	nm[6]	**98.1**	61.2	(36.9)	(37.8)

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

Performance highlights

- Underlying operating income declined 32 per cent with Treasury income down 42 per cent as a fall in interest rates led to lower interest income on Treasury assets that was partially offset by a reduction in the expense of Treasury liabilities. An additional $220 million in realisation gains, primarily booked in 1H'20, was broadly offset by lower FX switch income and negative movements in hedge ineffectiveness, primarily recorded in 2H'20
- The increase in Other Income mainly relates to interest credits and other one-off items in India, Korea and Singapore.
- Profit from associates and joint ventures was down 35 per cent to $164 million. The Group could only recognise its share of the profits of its associate China Bohai Bank for ten months due to the timing of its recently completed initial public offering in July 2020. The Group' share of Bohai's annual preference share dividend, $22 million, was deducted from its share of profit in 4Q'20. Additionally, the Group's share of China Bohai Bank reduced in 4Q'20 to 16.26 per cent from 19.99 per cent and this will be the share of profit that is reported in future quarters

Supplementary financial information continued

Underlying performance by region

	2020					
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	6,016	4,366	2,364	1,922	97	14,765
Operating expenses	(3,739)	(2,618)	(1,683)	(1,383)	(719)	(10,142)
Operating profit/(loss) before impairment losses and taxation	2,277	1,748	681	539	(622)	4,623
Credit impairment	(352)	(1,132)	(654)	(161)	5	(2,294)
Other impairment	(53)	163	(14)	8	(89)	15
Profit from associates and joint ventures	163	-	-	-	1	164
Underlying profit/(loss) before taxation	2,035	779	13	386	(705)	2,508
Restructuring	(92)	(42)	(88)	(45)	(115)	(382)
Goodwill impairment & other items	(43)	-	-	-	(470)	(513)
Statutory profit/(loss) before taxation	1,900	737	(75)	341	(1,290)	1,613
Total assets	311,484	155,728	58,069	253,438	10,331	789,050
Of which: loans and advances to customers[1]	151,879	87,213	29,413	67,771	-	336,276
loans and advances to customers	143,260	82,897	28,214	27,328	-	281,699
loans held at fair value through profit or loss	8,619	4,316	1,199	40,443	-	54,577
Total liabilities	286,855	134,856	39,980	211,840	64,790	738,321
Of which: customer accounts[1]	231,456	103,167	32,106	125,425	-	492,154
Risk-weighted assets	92,860	81,423	51,149	45,758	(2,356)	268,834
Cost to income ratio (excl. Bank levy) (%)	62.2	60.0	71.2	72.0	nm[2]	66.4

	2019					
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	6,155	4,213	2,562	1,725	616	15,271
Operating expenses	(3,771)	(2,681)	(1,747)	(1,470)	(740)	(10,409)
Operating profit/(loss) before impairment losses and taxation	2,384	1,532	815	255	(124)	4,862
Credit impairment	(194)	(506)	(132)	(98)	24	(906)
Other impairment	(5)	(1)	1	–	(33)	(38)
Profit from associates and joint ventures	247	–	–	–	7	254
Underlying profit/(loss) before taxation	2,432	1,025	684	157	(126)	4,172
Restructuring	(138)	(34)	(18)	(34)	(30)	(254)
Goodwill impairment & other items	–	48	–	–	(253)	(205)
Statutory profit/(loss) before taxation	2,294	1,039	666	123	(409)	3,713
Total assets	277,704	149,785	59,828	220,579	12,502	720,398
Of which: loans and advances to customers[1]	139,977	80,885	31,487	62,405	–	314,754
loans and advances to customers	134,066	78,229	29,940	26,288	–	268,523
loans held at fair value through profit or loss	5,911	2,656	1,547	36,117	–	46,231
Total liabilities	249,004	126,213	36,144	218,794	39,582	669,737
Of which: customer accounts[1]	204,286	97,459	29,280	121,708	–	452,733
Risk-weighted assets	85,695	88,942	49,244	43,945	(3,736)	264,090
Cost to income ratio (excl. Bank levy) (%)	61.3	63.6	68.2	85.2	63.8	65.9

1 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements
2 Not meaningful

Supplementary financial information continued

Greater China & North Asia

	4Q'20 $million	4Q'19 $million	Change[2] %	Constant currency change[1,2] %	3Q'20 $million	Change[2] %	Constant currency change[1,2] %	FY20 $million	FY19 $million	Change[2] %	Constant currency change[1,2] %
Operating income	1,401	1,497	(6)	(9)	1,471	(5)	(7)	6,016	6,155	(2)	(3)
Operating expenses	(1,021)	(1,001)	(2)	–	(938)	(9)	(7)	(3,739)	(3,771)	1	1
Operating profit before impairment losses and taxation	380	496	(23)	(26)	533	(29)	(30)	2,277	2,384	(4)	(5)
Credit impairment	(34)	(54)	37	38	(29)	(17)	(21)	(352)	(194)	(81)	(82)
Other impairment	(38)	–	nm[5]	nm[5]	–	nm[5]	nm[5]	(53)	(5)	nm[5]	nm[5]
Profit from associates and joint ventures	15	51	(71)	(73)	74	(80)	(81)	163	247	(34)	(35)
Underlying profit before taxation	323	493	(34)	(37)	578	(44)	(46)	2,035	2,432	(16)	(17)
Restructuring	(34)	(84)	60	57	(15)	(127)	(147)	(92)	(138)	33	34
Other items	(8)	–	nm[5]	nm[5]	(35)	77	77	(43)	–	nm[5]	nm[5]
Statutory profit before taxation	281	409	(31)	(35)	528	(47)	(50)	1,900	2,294	(17)	(17)
Total assets	311,484	277,704	12	9	298,430	4	2	311,484	277,704	12	9
Of which: loans and advances to customers[3]	151,879	139,977	9	5	150,598	1	(2)	151,879	139,977	9	5
Total liabilities	286,855	249,004	15	12	266,617	8	5	286,855	249,004	15	12
Of which: customer accounts[3]	231,456	204,286	13	10	215,291	8	5	231,456	204,286	13	10
Risk-weighted assets	92,860	85,695	8	nm[5]	92,863	–	nm[5]	92,860	85,695	8	nm[5]
Cost to income ratio (%)[4]	72.9	66.9	(6.0)	(6.2)	63.8	(9.1)	(9.2)	62.2	61.3	(0.9)	(0.8)

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

Region overview

Greater China & North Asia generated the largest share of the Group's income in 2020, at 41 per cent. We serve clients in Hong Kong – the Group's largest market – as well as Mainland China, Japan, Korea, Macau and Taiwan.

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

We are building on the region's economic growth, the rising wealth of its population, the increasing sophistication and internationalisation of Chinese businesses and the increased use of the renminbi internationally.

Strategic priorities

- Use the strength of our network to serve the inbound and outbound cross-border trade and investment needs of our clients
- Make the most of opportunities from China's opening, including the Greater Bay Area (GBA), renminbi, Belt and Road initiative, onshore capital markets and mainland wealth, as well as the development of our digital capabilities
- Strengthen our market position in Hong Kong and improve performance in Korea

Progress

- Our China business has been resilient during a year of unprecedented difficulty. As China has emerged from COVID-19 restrictions, its economy has recovered and our business has grown with underlying operating profit before impairment and tax up 26 per cent driven by Wealth Management, Financial Markets and unsecured products. The income we have booked from clients based in China has grown 3 per cent and China remains the Group's largest source of network income
- Hong Kong faced a unique combination of geopolitical, social and pandemic-related challenges in 2020 which impacted financial performance. However, we have seen very good progress in Wealth Management, and Financial Markets, where income grew strongly and have progressed our digital agenda by launching Mox, our virtual bank

- We have stepped up our investment in the GBA with the creation of a GBA Centre to better support our clients, a dedicated GBA CEO and the launch of the Standard Chartered GBA Business Confidence Index
- Despite the disruption of the pandemic, our Korea business has delivered operating profit growth of 50 per cent. This has been driven by a strong Wealth Management and Financial Markets performance and reflects the flow-through benefits of management's restructuring actions in recent years

Performance highlights

- Underlying profit before tax of $2,035 million was down 16 per cent, mainly due to higher credit impairment charges, partially offset by strong cost control
- Underlying operating income of $6,016 million was down 2 per cent. Lower income in Cash Management, Retail Deposits and Treasury Products was partially offset by strong performances in Financial Markets and Wealth Management
- Retail Banking income fell 1 per cent driven by a fall in Deposit income as a result of lower interest rates, almost entirely offset by strong momentum in Mortgages and Wealth Management. Private Banking income was also down. Corporate & Institutional Banking income grew, mainly due to a strong Financial Markets performance, partly offset by lower Corporate Finance and Transaction Banking income. Commercial Banking income was down 14 per cent driven by lower Transaction Banking
- Strong balance sheet momentum with loans and advances to customers up 9 per cent mainly from strong growth in Mortgages and Corporate Lending. Customer accounts were up 13 per cent, with strong double-digit growth in retail current and savings accounts and Transaction Banking cash balances
- RWAs increased by $7 billion due to market and credit risk, in line with loans and advances growth, mainly in Treasury and Retail

Supplementary financial information continued

ASEAN & South Asia

	4Q'20 $million	4Q'19 $million	Change[2] %	Constant currency change[1,2] %	3Q'20 $million	Change[2] %	Constant currency change[1,2] %	FY20 $million	FY19 $million	Change[2] %	Constant currency change[1,2] %
Operating income	**956**	992	(4)	(3)	1,034	(8)	(8)	**4,366**	4,213	4	5
Operating expenses	**(708)**	(718)	1	1	(663)	(7)	(5)	**(2,618)**	(2,681)	2	–
Operating profit before impairment losses and taxation	**248**	274	(9)	(8)	371	(33)	(33)	**1,748**	1,532	14	15
Credit impairment	**(166)**	(250)	34	32	(128)	(30)	(28)	**(1,132)**	(506)	(124)	(132)
Other impairment	**(2)**	(1)	(100)	nm[5]	–	nm[5]	nm[5]	**163**	(1)	nm[5]	nm[5]
Underlying profit before taxation	**80**	23	nm[5]	165	243	(67)	(66)	**779**	1,025	(24)	(24)
Restructuring	**(28)**	(19)	(47)	(53)	(7)	nm[5]	nm[5]	**(42)**	(34)	(24)	(31)
Other items	**–**	13	(100)	(100)	–	nm[5]	nm[5]	**–**	48	(100)	(100)
Statutory profit before taxation	**52**	17	nm[5]	107	236	(78)	(76)	**737**	1,039	(29)	(29)
Total assets	**155,728**	149,785	4	4	150,651	3	2	**155,728**	149,785	4	4
Of which: loans and advances to customers[3]	**87,213**	80,885	8	7	86,540	1	(1)	**87,213**	80,885	8	7
Total liabilities	**134,856**	126,213	7	6	130,794	3	2	**134,856**	126,213	7	6
Of which: customer accounts[3]	**103,167**	97,459	6	5	101,376	2	–	**103,167**	97,459	6	5
Risk-weighted assets	**81,423**	88,942	(8)	nm[5]	80,123	2	nm[5]	**81,423**	88,942	(8)	nm[5]
Cost to income ratio (%)[4]	**74.1**	72.4	(1.7)	(1.5)	64.1	(10.0)	(9.7)	**60.0**	63.6	3.6	3.5

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

Region overview

The Group has a long-standing presence in the region and, as the only international bank present in all 10 ASEAN countries, we are a strong banking partner for our clients. Our two biggest markets in the region are Singapore and India.

The region contributes more than a quarter of the Group's income and Singapore is home to the majority of our global business leadership, our technology operations and our innovation hub SC Ventures. The strong underlying economic growth in the region means we can help our clients grow and sustainably improve returns.

The region benefits from rising trade flows, including activity generated from China's Belt and Road initiative, strong investment, and a rising middle class which is driving consumption and improving digital connectivity.

Strategic priorities

- Leverage the strength of our international network to support our clients' cross-border trade and investment activities across the high-growth regional corridors
- Expand Wealth Management offerings and client engagement through digital-only or hybrid channels to accelerate growth in affluent segments
- Improve capital efficiency and sharpen our investments in higher-returning businesses
- Continue to reshape our India and Indonesia franchises to optimise returns

Progress

- In Singapore, we are proud to have been awarded 'Significantly Rooted Foreign Bank' status. We are the only international bank to receive this honour, reflecting our long and deep-rooted presence in the market. This has paved the way for us to establish a new digital bank and expand our reach and touchpoints in one of our most important markets
- In India, despite COVID-19, we more than quadrupled operating profit and improved returns. The growth in lower cost liabilities has improved margins and supported clients in strategic transactions. Expenses remain tightly controlled benefiting from increased client digital adoption

Supplementary financial information continued

- In Indonesia, we improved profitability through growth in Financial Markets and Wealth Management income. Costs were flat with client digital adoption reducing channel costs. We have announced a 'banking-as-a-service' solution, nexus, having signed partnerships with Bukalapak and Sociolla in Indonesia as partners
- Bangladesh and Vietnam delivered sound performances leveraging client relationships both domestically and cross border, particularly with China, Japan and Korea

Performance highlights

- Underlying profit before tax of $779 million decreased 24 per cent driven by higher credit impairment. Underlying operating profit before impairment and tax improved 14 per cent as income grew 4 per cent, while expenses were 2 per cent lower
- Underlying operating income of $4,366 million grew 4 per cent (5 per cent on a constant currency basis excluding a positive debit valuation adjustment), underpinned by strong growth in Corporate & Institutional Banking and realisation gains within Treasury Markets. Commercial Banking income declined 6 per cent and Retail Banking was down 5 per cent, while Private Banking was also down
- Higher Corporate & Institutional Banking income driven by strong performance in Financial Markets and Corporate Finance, partially offset by margin compression in Transaction Banking
- Resilient balance sheet momentum with loans and advances to customers up 8 per cent. Customer accounts were up 6 per cent driven by higher retail current and savings accounts and Transaction Banking cash balances. These were partially offset by a reduction in high-priced corporate time deposits
- Risk-weighted assets decreased by $8 billion due mainly to the sale of the Group's stake in Permata in Indonesia

Supplementary financial information continued

Africa & Middle East

	4Q'20 $million	4Q'19 $million	Change[2] %	Constant currency change[1,2] %	3Q'20 $million	Change[2] %	Constant currency change[1,2] %	FY20 $million	FY19 $million	Change[2] %	Constant currency change[1,2] %
Operating income	**519**	605	(14)	(9)	590	(12)	(11)	**2,364**	2,562	(8)	(3)
Operating expenses	**(464)**	(454)	(2)	(5)	(426)	(9)	(7)	**(1,683)**	(1,747)	4	(1)
Operating profit before impairment losses and taxation	**55**	151	(64)	(52)	164	(66)	(60)	**681**	815	(16)	(12)
Credit impairment	**(130)**	(56)	(132)	(136)	(154)	16	17	**(654)**	(132)	nm[5]	nm[5]
Other impairment	**(13)**	1	nm[5]	nm[5]	1	nm[5]	nm[5]	**(14)**	1	nm[5]	nm[5]
Underlying profit/(loss) before taxation	**(88)**	96	(192)	(195)	11	nm[5]	nm[5]	**13**	684	(98)	(97)
Restructuring	**(68)**	(11)	nm[5]	nm[5]	(11)	nm[5]	nm[5]	**(88)**	(18)	nm[5]	nm[5]
Statutory profit/(loss) before taxation	**(156)**	85	nm[5]	nm[5]	–	nm[5]	nm[5]	**(75)**	666	(111)	(111)
Total assets	**58,069**	59,828	(3)	(1)	61,472	(6)	(6)	**58,069**	59,828	(3)	(1)
Of which: loans and advances to customers[3]	**29,413**	31,487	(7)	(5)	31,408	(6)	(7)	**29,413**	31,487	(7)	(5)
Total liabilities	**39,980**	36,144	11	12	40,275	(1)	(2)	**39,980**	36,144	11	12
Of which: customer accounts[3]	**32,106**	29,280	10	11	32,630	(2)	(3)	**32,106**	29,280	10	11
Risk-weighted assets	**51,149**	49,244	4	nm[5]	52,524	(3)	nm[5]	**51,149**	49,244	4	nm[5]
Cost to income ratio (%)[4]	**89.4**	75.0	(14.4)	(11.4)	72.2	(17.2)	(15.1)	**71.2**	68.2	(3.0)	(3.1)

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

Region overview

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

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

Global and local macroeconomic headwinds in 2020 impacted income across both the Middle East and Africa, and have resulted in an elevated risk environment, particularly in Africa. However, we're confident the opportunities in the region will support long-term sustainable growth for the Group. We continue to invest selectively and drive efficiencies.

Strategic priorities

- Provide best-in-class structuring and financing solutions and drive creation through client initiatives
- Invest to accelerate growth in differentiated international network and affluent client businesses
- Invest in market-leading digitisation initiatives in Retail Banking to protect and grow market share in core markets, continue with our retail transformation agenda to recalibrate our network and streamline structures
- De-risk and improve the quality of income with a focus on return enhancements

Progress

- Our role leading several marquee transactions across the region reflects our strong client franchise. We continue to be the market leader in bond issuance and Islamic Sukuk and achieved our highest-ever debt capital markets notional volumes
- On a constant currency basis, Wealth Management income grew 8 per cent and priority deposits grew by 17 per cent despite a slow-down post COVID-19
- Rapid growth in the Africa digital transformation, with half a million customers and $125 million in deposits. Awarded Best Digital Bank across 10 countries at the Global Finance's Best Digital Banks Awards 2020

Supplementary financial information continued

- Continuing cost discipline has allowed investments to continue through the cycle. The number of branches reduced by 19 per cent and headcount was 7 per cent lower
- Liquidity and capital remained healthy across markets, ensuring a better ability to navigate market challenges
- On a constant currency basis, fee-based income grew and accounted for a higher share of total income than in 2019

Performance highlights

- Underlying profit before tax of $13 million was 98 per cent lower with continued macroeconomic challenges negatively impacting income and driving higher credit impairment. Efficiency actions funded ongoing strategic investments
- Underlying operating income of $2,364 million was down 8 per cent (3 per cent on a constant currency basis) due to the impact of interest rate cuts on margins, while Financial Markets performed well. Income across the Middle East, North Africa and Pakistan was down 7 per cent, and in Africa was down 8 per cent (1 per cent on a constant currency basis)
- Loans and advances to customers were down 7 per cent and customer accounts were up 10 per cent

Supplementary financial information continued

Europe & Americas

	4Q'20 $million	4Q'19 $million	Change[2] %	Constant currency change[1,2] %	3Q'20 $million	Change[2] %	Constant currency change[1,2] %	FY20 $million	FY19 $million	Change[2] %	Constant currency change[1,2] %
Operating income	**404**	464	(13)	(12)	423	(4)	(5)	**1,922**	1,725	11	11
Operating expenses	**(362)**	(365)	1	2	(360)	(1)	1	**(1,383)**	(1,470)	6	6
Operating profit before impairment losses and taxation	**42**	99	(58)	(52)	63	(33)	(32)	**539**	255	111	105
Credit impairment	**(44)**	(17)	(159)	(122)	(37)	(19)	(8)	**(161)**	(98)	(64)	(60)
Other impairment	**(5)**	–	nm[5]	nm[5]	11	(145)	(142)	**8**	–	nm[5]	nm[5]
Underlying profit/(loss) before taxation	**(7)**	82	(109)	(103)	37	(119)	(105)	**386**	157	146	137
Restructuring	**(27)**	(13)	(108)	(100)	(8)	nm[5]	(189)	**(45)**	(34)	(32)	(41)
Statutory profit/(loss) before taxation	**(34)**	69	(149)	(148)	29	nm[5]	(197)	**341**	123	177	160
Total assets	**253,438**	220,579	15	14	233,772	8	8	**253,438**	220,579	15	14
Of which: loans and advances to customers[3]	**67,771**	62,405	9	7	67,265	1	–	**67,771**	62,405	9	7
Total liabilities	**211,840**	218,794	(3)	(4)	225,332	(6)	(6)	**211,840**	218,794	(3)	(4)
Of which: customer accounts[3]	**125,425**	121,708	3	2	122,748	2	2	**125,425**	121,708	3	2
Risk-weighted assets	**45,758**	43,945	4	nm[5]	43,818	4	nm[5]	**45,758**	43,945	4	nm[5]
Cost to income ratio (%)[4]	**89.6**	78.7	(10.9)	(8.9)	85.1	(4.5)	(4.2)	**72.0**	85.2	13.2	12.8

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

Region overview

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

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

In addition to being a key origination centre for Corporate & Institutional Banking, the region offers local, on-the-ground expertise and solutions to help internationally-minded clients grow across Europe & Americas.

The region is home to the Group's two biggest payment clearing centres and the largest trading floor. More than 80 per cent of the region's income derives from Financial Markets and Transaction Banking products.

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

Strategic priorities

- Continue to attract new international corporate and financial institutional clients and deepen relationships with existing clients by connecting them to the fastest growing and highest potential economies
- Enhance capital efficiency, maintain strong risk oversight and further improve the quality of our funding base
- Leverage our network capabilities as new e-commerce industries grow internationally
- Scale up our continental European business, leveraging significant trade corridors with Asia and Africa
- Grow assets under management in Private Banking and strengthen the franchise generally

Progress

- Good progress in improving our share of business from targeted Corporate & Institutional Banking priority clients, with income up 3 per cent from 'Top 100', 'Next 100' and 'New 90' client initiatives, with growth of 20 per cent from Financial Markets products, partially offset by lower Transaction Banking income
- Significant improvement to our client service offering with onboarding turnaround time more than halved
- Launched Sustainable Fund Finance and exceeded $2 billion in Sustainable Deposits
- Significant increase in high-quality liabilities achieved to improve the funding base
- Restructured our Private Bank London Advisory centre to improve productivity and sharpen focus
- SCB AG Germany has experienced growth, as clients re-positioned their banking arrangements in preparation for Brexit

Performance highlights

- Underlying profit before tax of $386 million improved 146 per cent driven by higher income and lower costs. Impairments were up two-thirds but remain at a modest level relative to the size of the loan portfolio
- Underlying operating income of $1,922 million was up 11 per cent largely due to growth in Financial Markets performance in addition to realisation gains in Treasury, partially offset by the impact of lower interest rates on Cash Management and Retail Products. Adjusting for movements in the debit valuation adjustment, income was up 7 per cent
- Expenses reduced by 6 per cent largely due to lower regulatory costs, reduced travel-related expenses and variable compensation payments
- Strong growth in loans and advances to customers up 9 per cent while customer accounts grew 3 per cent

Supplementary financial information continued

Central & other items (region)

	4Q'20 $million	4Q'19 $million	Change[2] %	Constant currency change[1,2] %	3Q'20 $million	Change[2] %	Constant currency change[1,2] %	FY20 $million	FY19 %	Change[2] %	Constant currency change[1,2] %
Operating income	**(81)**	39	nm[4]	nm[4]	1	nm[4]	nm[4]	**97**	616	(84)	(84)
Operating expenses	**(394)**	(401)	2	9	(93)	nm[4]	nm[4]	**(719)**	(740)	3	2
Operating loss before impairment losses and taxation	**(475)**	(362)	(31)	(24)	(92)	nm[4]	nm[4]	**(622)**	(124)	nm[4]	nm[4]
Credit impairment	**–**	4	(100)	(100)	(5)	100	100	**5**	24	(79)	(75)
Other impairment	**(24)**	(12)	(100)	(85)	(27)	11	14	**(89)**	(33)	(170)	(159)
Profit from associates and joint ventures	**(1)**	1	(200)	(100)	–	nm[4]	100	**1**	7	(86)	(86)
Underlying loss before taxation	**(500)**	(369)	(36)	(29)	(124)	nm[4]	nm[4]	**(705)**	(126)	nm[4]	nm[4]
Restructuring	**(91)**	10	nm[4]	nm[4]	(3)	nm[4]	nm[4]	**(115)**	(30)	nm[4]	nm[4]
Goodwill impairment & other items	**(1)**	(27)	96	100	(231)	100	100	**(470)**	(253)	(86)	(86)
Statutory loss before taxation	**(592)**	(386)	(53)	(47)	(358)	(65)	(51)	**(1,290)**	(409)	nm[4]	nm[4]
Total assets	**10,331**	12,502	(17)	(18)	10,104	2	2	**10,331**	12,502	(17)	(18)
Total liabilities	**64,790**	39,582	64	64	40,841	59	59	**64,790**	39,582	64	64
Risk-weighted assets	**(2,356)**	(3,736)	37	nm[4]	(2,664)	12	nm[4]	**(2,356)**	(3,736)	37	nm[4]
Cost to income ratio (%) (excluding UK bank levy)[3]	**(77.8)**	138.5	nm[4]	172.2	nm[4]	nm[4]	nm[4]	**nm[4]**	63.8	nm[4]	nm[4]

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2 Variance is better/(worse) other than risk-weighted assets, assets and liabilities which is increase/(decrease)
3 Change is the percentage points difference between the two periods rather than the percentage change
4 Not meaningful

Performance highlights

- Underlying loss before tax of $705 million was down $579 million, as a fall in interest rates led to lower interest income on Treasury assets

Supplementary financial information continued

Retail Banking

	2020				
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Operating income	2,989	1,360	635	29	5,013
Operating expenses	(2,036)	(1,057)	(586)	(22)	(3,701)
Operating profit before impairment losses and taxation	953	303	49	7	1,312
Credit impairment	(211)	(376)	(125)	(3)	(715)
Other impairment	–	–	(10)	–	(10)
Underlying profit/(loss) before taxation	742	(73)	(86)	4	587
Restructuring	(13)	(5)	(32)	–	(50)
Statutory profit/(loss) before taxation	729	(78)	(118)	4	537
Loans and advances to customers including FVTPL	81,542	28,776	4,745	548	115,611
Customer accounts including FVTPL and repurchase agreements	106,832	37,266	9,674	1,059	154,831

	2019 (Restated)[1]				
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Operating income	3,018	1,432	700	36	5,186
Operating expenses	(2,020)	(1,097)	(619)	(23)	(3,759)
Operating profit before impairment losses and taxation	998	335	81	13	1,427
Credit impairment	(153)	(136)	(47)	–	(336)
Other impairment	–	–	2	–	2
Underlying profit before taxation	845	199	36	13	1,093
Restructuring	(47)	(7)	(9)	–	(63)
Statutory profit before taxation	798	192	27	13	1,030
Loans and advances to customers including FVTPL	73,329	27,934	5,320	557	107,140
Customer accounts including FVTPL and repurchase agreements	99,149	35,959	8,585	1,067	144,760

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

Commercial Banking

	2020			
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Total $million
Operating income	487	631	291	1,409
Operating expenses	(330)	(344)	(204)	(878)
Operating profit before impairment losses and taxation	157	287	87	531
Credit impairment	(32)	(190)	(94)	(316)
Other impairment	–	(1)	–	(1)
Underlying profit/(loss) before taxation	125	96	(7)	214
Restructuring	(24)	(7)	(26)	(57)
Statutory profit/(loss) before taxation	101	89	(33)	157
Loans and advances to customers including FVTPL	14,065	9,390	3,887	27,342
Customer accounts including FVTPL and repurchase agreements	31,055	14,078	3,445	48,578

	2019 (Restated)[1]			
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Total $million
Operating income	564	671	339	1,574
Operating expenses	(383)	(349)	(221)	(953)
Operating profit before impairment losses and taxation	181	322	118	621
Credit impairment	(23)	(34)	(65)	(122)
Other impairment	-	-	-	-
Underlying profit before taxation	158	288	53	499
Restructuring	(8)	(1)	(2)	(11)
Statutory profit before taxation	150	287	51	488
Loans and advances to customers including FVTPL	13,178	10,657	4,996	28,831
Customer accounts including FVTPL and repurchase agreements	22,691	12,948	3,208	38,847

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

Supplementary financial information continued

Analysis of underlying performance by key market

The following tables provide information for key markets in which the Group operates. The numbers are prepared on a management view.

	2020								
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Operating income	3,485	1,046	926	1,562	1,245	309	579	946	783
Operating expenses	(1,959)	(723)	(667)	(977)	(680)	(176)	(409)	(673)	(525)
Operating profit before impairment losses and taxation	1,526	323	259	585	565	133	170	273	258
Credit impairment	(199)	(43)	(112)	(474)	(227)	(84)	(277)	(128)	(30)
Other impairment	(55)	3	(1)	-	(1)	-	(3)	9	-
Profit from associates and joint ventures	-	-	163	-	-	-	-	-	-
Underlying profit/(loss) before taxation	1,272	283	309	111	337	49	(110)	154	228
Total assets employed	167,080	69,214	41,827	88,246	28,272	4,968	19,856	174,346	63,330
Of which: loans and advances to customers[1]	78,398	42,636	16,877	53,444	14,258	2,212	10,316	45,803	18,103
Total liabilities employed	160,976	60,329	36,713	83,554	20,728	3,494	14,324	133,862	65,307
Of which: customer accounts[1]	135,487	44,748	26,319	63,303	15,058	2,382	11,720	81,198	36,717
Cost to income ratio (%)	56.2	69.1	72.0	62.5	54.6	57.0	70.6	71.1	67.0

	2019								
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Operating income	3,755	972	872	1,639	1,041	273	617	762	759
Operating expenses	(1,934)	(769)	(666)	(986)	(672)	(180)	(423)	(678)	(587)
Operating profit before impairment losses and taxation	1,821	203	206	653	369	93	194	84	172
Credit impairment	(111)	(15)	(81)	(91)	(290)	(87)	(48)	(33)	(63)
Other impairment	(5)	1	–	–	–	–	–	–	–
Profit from associates and joint ventures	–	–	247	–	–	–	–	–	–
Underlying profit before taxation	1,705	189	372	562	79	6	146	51	109
Total assets employed	159,725	54,408	30,293	85,155	28,163	4,795	20,301	150,103	60,373
Of which: loans and advances to customers[1]	77,277	34,469	14,772	45,951	15,674	2,098	10,406	42,179	17,038
Total liabilities employed	149,703	47,420	27,005	80,006	18,437	3,188	12,905	142,804	66,357
Of which: customer accounts[1]	123,330	38,533	21,797	60,821	13,800	2,320	10,078	82,036	34,733
Cost to income ratio (%)	51.5	79.1	76.4	60.2	64.6	65.9	68.6	89.0	77.3

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

Quarterly underlying operating income by product

	4Q'20 $million	3Q'20 $million	2Q'20 $million	1Q'20 $million	4Q'19[1] $million	3Q'19[1] $million	2Q'19[1] $million	1Q'19[1] $million
Transaction Banking	652	665	721	800	834	887	901	877
Trade	249	255	230	260	259	282	282	277
Cash Management	403	410	491	540	575	605	619	600
Financial Markets	697	909	970	1,278	716	877	834	831
Foreign Exchange	267	266	343	415	264	261	304	298
Rates	150	201	339	378	163	176	136	221
Commodities	37	60	82	44	37	39	44	45
Credit and Capital Markets	175	188	250	26	125	167	145	140
Capital Structuring Distribution Group	70	91	52	61	86	87	74	82
DVA	(69)	(22)	(201)	305	(72)	14	11	(53)
Securities Services	78	79	79	84	85	88	87	83
Other Financial Markets	(11)	46	26	(35)	28	45	33	15
Corporate Finance	285	284	269	278	328	281	272	262
Lending and Portfolio Management	199	222	232	195	201	201	197	187
Wealth Management	436	568	434	530	415	488	511	465
Retail Products	848	859	913	946	960	975	976	951
CCPL and other unsecured lending	303	309	295	304	311	315	320	305
Deposits	271	301	413	472	484	510	501	494
Mortgage and Auto	234	211	169	136	130	123	129	129
Other Retail Products	40	38	36	34	35	27	26	23
Treasury	92	40	178	325	196	335	251	308
Other	(10)	(28)	3	(25)	(53)	(66)	(59)	(68)
Total underlying operating income	**3,199**	3,519	3,720	4,327	3,597	3,978	3,883	3,813

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

Supplementary financial information continued

Earnings per ordinary share

	4Q'20 $million	4Q'19 $million	Change %	3Q'20 $million	Change %	FY20 $million	FY19 $million	Change %
(Loss)/profit for the period attributable to equity holders	**(476)**	72	nm[1]	161	nm[1]	**751**	2,340	(68)
Non-controlling interest	**(2)**	(7)	71	(7)	71	**(27)**	(37)	27
Dividend payable on preference shares and AT1 classified as equity	**(132)**	(191)	31	(31)	nm[1]	**(395)**	(448)	12
(Loss)/profit for the period attributable to ordinary shareholders	**(610)**	(126)	nm[1]	123	nm[1]	**329**	1,855	(82)
Items normalised:								
Provision for regulatory matters	–	–	nm[1]	–	nm[1]	**(14)**	226	nm[1]
Restructuring	**248**	117	112	44	nm[1]	**382**	254	50
Profit from joint venture	–	(13)	nm[1]	–	nm[1]	–	(48)	nm[1]
Gains arising on repurchase of subordinated liabilities	–	–	nm[1]	–	nm[1]	–	–	nm[1]
Goodwill impairment	–	27	nm[1]	231	nm[1]	**489**	27	nm[1]
Net loss on sale of businesses	**9**	–	nm[1]	35	(74)	**38**	–	nm[1]
Tax on normalised items	**(72)**	(19)	nm[1]	(5)	nm[1]	**(83)**	152	nm[1]
Underlying (loss)/profit	**(425)**	(14)	nm[1]	428	nm[1]	**1,141**	2,466	(54)
Basic - Weighted average number of shares (millions)	**3,152**	3,197	nm[1]	3,151	nm[1]	**3,160**	3,256	nm[1]
Diluted - Weighted average number of shares (millions)	**3,196**	3,228	nm[1]	3,192	nm[1]	**3,199**	3,290	nm[1]
Basic earnings per ordinary share (cents)[2]	**(19.4)**	(3.9)	(15.5)	3.9	(23.3)	**10.4**	57.0	(46.6)
Diluted earnings per ordinary share (cents)[2]	**(19.1)**	(3.9)	(15.2)	3.9	(23.0)	**10.3**	56.4	(46.1)
Underlying basic earnings per ordinary share (cents)[2]	**(13.5)**	(0.4)	(13.1)	13.6	(27.1)	**36.1**	75.7	(39.6)
Underlying diluted earnings per ordinary share (cents)[2]	**(13.3)**	(0.4)	(12.9)	13.4	(26.7)	**35.7**	75.0	(39.3)

1 Not meaningful
2 Change is cents difference between two points rather than percentage change for earnings per share

Supplementary financial information continued

Return on Tangible Equity

	4Q'20 $million	4Q'19 $million	Change %	3Q'20 $million	Change %	FY20 $million	FY19 $million	Change %
Average parent company Shareholders' Equity	45,814	44,855	2	45,400	1	45,087	45,187	–
Less Preference share premium	(1,494)	(1,494)	–	(1,494)	–	(1,494)	(1,494)	–
Less Average intangible assets	(4,990)	(5,187)	4	(4,972)	–	(5,003)	(5,119)	2
Average Ordinary Shareholders' Tangible Equity	39,330	38,174	3	38,934	1	38,590	38,574	–
(Loss)/profit for the period attributable to equity holders	(476)	72	nm[1]	161	nm[1]	751	2,340	(68)
Non-controlling interests	(2)	(7)	71	(7)	71	(27)	(37)	27
Dividend payable on preference shares and AT1 classified as equity	(132)	(191)	31	(31)	nm[1]	(395)	(448)	12
(Loss)/profit for the period attributable to ordinary shareholders	(610)	(126)	nm[1]	123	nm[1]	329	1,855	(82)
Items normalised:								
Provision for regulatory matters	–	–	nm[1]	–	nm[1]	(14)	226	nm[1]
Restructuring	248	117	112	44	nm[1]	382	254	50
Profit from joint venture	–	(13)	nm[1]	–	nm[1]	–	(48)	nm[1]
Goodwill Impairment	–	27	nm[1]	231	nm[1]	489	27	nm[1]
Net loss on sale of businesses	9	–	nm[1]	35	(74)	38	–	nm[1]
Tax on normalised items	(72)	(19)	nm[1]	(5)	nm[1]	(83)	152	nm[1]
Underlying (loss)/profit for the period attributable to ordinary shareholders	(425)	(14)	nm[1]	428	nm[1]	1,141	2,466	(54)
Underlying Return on Tangible Equity	(4.3)%	(0.1)%	(420)bps	4.4%	(870)bps	3.0%	6.4%	(340)bps
Statutory Return on Tangible Equity	(6.2)%	(1.3)%	(490)bps	1.3%	(750)bps	0.9%	4.8%	(390)bps

1 Not meaningful

Net Tangible Asset Value per Share

	31.12.20 $million	31.12.19 $million	Change %	30.09.20 $million	Change %
Parent company shareholders' equity	45,886	44,835	2	45,743	–
Less Preference share premium	(1,494)	(1,494)	–	(1,494)	–
Less Intangible assets	(5,063)	(5,290)	4	(4,916)	(3)
Net shareholders tangible equity	39,329	38,051	3	39,333	–
Ordinary shares in issue, excluding own shares (millions)	3,150	3,191	(1)	3,149	–
Net Tangible Asset Value per share (cents)	1,249	1,192	57.0	1,249	–

Underlying versus statutory results reconciliations

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

Operating income by client segment

	2020					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Underlying operating income	**7,214**	**5,013**	**1,409**	**540**	**589**	**14,765**
Restructuring	**11**	**–**	**29**	**–**	**(13)**	**27**
Other items	**–**	**–**	**–**	**–**	**(38)**	**(38)**
Statutory operating income	**7,225**	**5,013**	**1,438**	**540**	**538**	**14,754**

	2019 (Restated)[1]					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Underlying operating income	7,074	5,186	1,574	577	860	15,271
Restructuring	146	–	4	–	(4)	146
Other items	-	-	-	-	-	-
Statutory operating income	7,220	5,186	1,578	577	856	15,417

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

Operating income by region

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

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

Underlying versus statutory results reconciliations continued

Profit before taxation (PBT)

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

	2019						
	Underlying $million	Provision for regulatory matters $million	Restructuring $million	Net loss on businesses disposed/ held for sale $million	Goodwill impairment $million	Share of profits of PT Bank Permata Tbk joint venture $million	Statutory $million
Operating income	15,271	–	146	–	–	–	15,417
Operating expenses	(10,409)	(226)	(298)	–	–	–	(10,933)
Operating profit/(loss) before impairment losses and taxation	4,862	(226)	(152)	–	–	–	4,484
Credit impairment	(906)	–	(2)	–	–	–	(908)
Other impairment	(38)	–	(98)	–	(27)	–	(163)
Profit from associates and joint ventures	254	–	(2)	–	–	48	300
Profit/(loss) before taxation	4,172	(226)	(254)	–	(27)	48	3,713

Underlying versus statutory results reconciliations continued

Profit before taxation (PBT) by client segment

	2020					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Operating income	7,214	5,013	1,409	540	589	14,765
External	7,083	4,322	1,320	374	1,666	14,765
Inter-segment	131	691	89	166	(1,077)	–
Operating expenses	(4,178)	(3,701)	(878)	(476)	(909)	(10,142)
Operating profit/(loss) before impairment losses and taxation	3,036	1,312	531	64	(320)	4,623
Credit impairment	(1,237)	(715)	(316)	(2)	(24)	(2,294)
Other impairment	42	(10)	(1)	–	(16)	15
Profit from associates and joint ventures	–	–	–	–	164	164
Underlying profit/(loss) before taxation	1,841	587	214	62	(196)	2,508
Restructuring	(164)	(50)	(57)	(11)	(100)	(382)
Goodwill impairment & other items	–	–	–	–	(513)	(513)
Statutory profit/(loss) before taxation	1,677	537	157	51	(809)	1,613

	2019 (Restated)[1]					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Operating income	7,074	5,186	1,574	577	860	15,271
External	7,264	4,236	1,618	329	1,824	15,271
Inter-segment	(190)	950	(44)	248	(964)	–
Operating expenses	(4,310)	(3,759)	(953)	(514)	(873)	(10,409)
Operating profit/(loss) before impairment losses and taxation	2,764	1,427	621	63	(13)	4,862
Credit impairment	(475)	(336)	(122)	31	(4)	(906)
Other impairment	(32)	2	–	–	(8)	(38)
Profit from associates and joint ventures	–	–	–	–	254	254
Underlying profit before taxation	2,257	1,093	499	94	229	4,172
Restructuring	(110)	(63)	(11)	(11)	(59)	(254)
Goodwill impairment & other items	–	–	–	–	(205)	(205)
Statutory profit/(loss) before taxation	2,147	1,030	488	83	(35)	3,713

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

Underlying versus statutory results reconciliations continued

Profit before taxation (PBT) by region

	2020					
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	6,016	4,366	2,364	1,922	97	14,765
Operating expenses	(3,739)	(2,618)	(1,683)	(1,383)	(719)	(10,142)
Operating profit/(loss) before impairment losses and taxation	2,277	1,748	681	539	(622)	4,623
Credit impairment	(352)	(1,132)	(654)	(161)	5	(2,294)
Other impairment	(53)	163	(14)	8	(89)	15
Profit from associates and joint ventures	163	–	–	–	1	164
Underlying profit/(loss) before taxation	2,035	779	13	386	(705)	2,508
Restructuring	(92)	(42)	(88)	(45)	(115)	(382)
Goodwill impairment & other items	(43)	–	–	–	(470)	(513)
Statutory profit/(loss) before taxation	1,900	737	(75)	341	(1,290)	1,613

	2019					
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	6,155	4,213	2,562	1,725	616	15,271
Operating expenses	(3,771)	(2,681)	(1,747)	(1,470)	(740)	(10,409)
Operating profit/(loss) before impairment losses and taxation	2,384	1,532	815	255	(124)	4,862
Credit impairment	(194)	(506)	(132)	(98)	24	(906)
Other impairment	(5)	(1)	1	–	(33)	(38)
Profit from associates and joint ventures	247	–	–	–	7	254
Underlying profit/(loss) before taxation	2,432	1,025	684	157	(126)	4,172
Restructuring	(138)	(34)	(18)	(34)	(30)	(254)
Goodwill impairment & other items	–	48	–	–	(253)	(205)
Statutory profit/(loss) before taxation	2,294	1,039	666	123	(409)	3,713

Underlying versus statutory results reconciliations continued

Return on tangible equity (RoTE)

	2020					
	Corporate & Institutional Banking %	Retail Banking %	Commercial Banking %	Private Banking %	Central & other items %	Total %
Underlying RoTE	6.6	6.5	3.4	4.8	(12.0)	3.0
Provision for regulatory matters	–	–	–	–	0.2	–
Restructuring						
Of which: Income	0.1	–	0.7	–	(0.2)	0.1
Of which: Expenses	(0.4)	(0.8)	(1.0)	(1.2)	(1.0)	(0.7)
Of which: Credit impairment	–	–	(0.7)	–	–	(0.1)
Of which: Other impairment	(0.5)	–	(0.2)	–	(0.1)	(0.3)
Of which: Profit from associates and joint ventures	–	–	–	–	(0.2)	–
Net loss on businesses disposed/ held for sale	–	–	–	–	(0.6)	(0.1)
Goodwill impairment	–	–	–	–	(7.3)	(1.3)
Share of profits of PT Bank Permata Tbk joint venture	-	-	-	-	-	-
Tax on normalised items	0.3	0.2	0.3	0.4	0.1	0.3
Statutory RoTE	6.1	5.9	2.5	4.0	(21.1)	0.9

	2019 (Restated)[1]					
	Corporate & Institutional Banking %	Retail Banking %	Commercial Banking %	Private Banking %	Central & other items %	Total %
Underlying RoTE	8.5	12.7	7.4	7.3	(5.1)	6.4
Provision for regulatory matters	–	–	–	–	(3.1)	(0.6)
Restructuring						
Of which: Income	0.8	–	0.1	–	–	0.4
Of which: Expenses	(0.8)	(1.0)	(0.3)	(1.2)	(0.6)	(0.8)
Of which: Credit impairment	–	–	–	–	–	–
Of which: Other impairment	(0.5)	–	–	–	(0.1)	(0.3)
Of which: Profit from associates and joint ventures	-	-	-	-	-	-
Net loss on businesses disposed/ held for sale	-	-	-	-	-	-
Goodwill impairment	–	–	–	–	(0.4)	(0.1)
Share of profits of PT Bank Permata Tbk joint venture	–	–	–	–	0.7	0.1
Tax on normalised items	–	0.2	0.1	0.3	(2.9)	(0.3)
Statutory RoTE	8.0	11.9	7.3	6.4	(11.5)	4.8

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

Underlying versus statutory results reconciliations continued

Earnings per ordinary share (EPS)

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

	2019								
	Underlying $ million	Provision for regulatory matters $ million	Restructuring $ million	Profit from joint venture $ million	Gains arising on repurchase of senior and subordinated liabilities $ million	Net loss on sale of businesses $ million	Goodwill impairment $ million	Tax on normalised items $ million	Statutory $ million
Profit for the year attributable to ordinary shareholders	2,466	(226)	(254)	48	–	–	(27)	(152)	1,855
Basic – Weighted average number of shares (millions)	3,256								3,256
Basic earnings per ordinary share (cents)	75.7								57.0

Group Chief Risk Officer’s review

Ready for recovery, prepared for further volatility

2020 was a year of significant challenges, with COVID-19, uncertainty around the US elections and Brexit, and heightened tensions between the US and China resulting in levels of macroeconomic and geopolitical upheaval not seen in recent history.

The impact of a global crisis driven by public health concerns rather than economic issues has varied vastly across different markets and sectors, with some devastated while others continue to thrive. Uneven recovery trajectories have resulted in volatility in growth rates across periods, although unprecedented levels of government support, and the provision of significant liquidity in most economies, has dampened some of the shock. The longer-term consequences of this volatility are unclear but suggest we are likely to see an inflationary period in the future. This has created unique challenges in terms of risk management as we strive to support our clients, colleagues and communities while ensuring we remain robust and resilient.

The crisis has also required us to re-examine our systems and processes and adapt to new ways of working. We have accelerated some of our ongoing initiatives by investing significantly in remote working and continuing to enhance our operational resilience. As we progress the Group’s digital agenda we are conscious of the related cyber risks, as well as a heightened risk of fraud as criminals look to exploit the instability caused by the pandemic.

As we look forward to 2021 and beyond, we remain vigilant as the landscape continues to evolve, with the transition from Interbank Offered Rate (IBOR) to alternative risk-free rates and the longer-term impact of the Common Framework Agreement on emerging market debt being just two of the areas we are monitoring closely.

The pandemic and related economic shock has impacted our loan portfolio, with credit impairment at elevated levels compared to 2019. However, we faced these challenges from a fundamentally strong position. Actions taken in previous years, including reducing our concentration on single names and high-risk sectors and increasing the proportion of investment grade assets, helped to mitigate deterioration in our portfolios. Our capital and liquidity positions have also remained resilient.

While there were improvements in the second half of 2020 as economies in many of our markets began to emerge from local restrictions, we remain cognisant that the global recovery will be uneven with some sectors and markets continuing to face challenges as the world adapts to the new normal.

The growing sentiment to ‘build back better’ during the recovery from COVID-19 means we can benefit from our expertise in creating sustainable finance solutions, often in collaboration with the public sector. We are working with clients to understand the potential risks and opportunities sustainability brings. In the second half of 2020, we integrated environmental, social and governance risk management into our Reputational Risk Type Framework. We recognise our role in supporting our clients and markets in the transition to a low-carbon economy and are focused on developing transition frameworks and a range of sustainable financing solutions. We remain committed to being a sustainable, innovative, resilient and client-centric bank.

An update on our key risk priorities

The financial services sector is evolving at a rapid pace and, in a challenging macroeconomic environment, we must continue to innovate. We remain focused on the following key priorities.

Strengthening the Group’s risk culture: Embedding a healthy risk culture remains a core objective across the Group. It underpins an enterprise-level ability to identify and assess, openly discuss, and take prompt action to address existing and emerging risks. Our Enterprise Risk Management Framework (ERMF) sets out the guiding principles for our colleagues, enabling us to have integrated and holistic risk conversations across the Group and the three lines of defence. Senior management promote a healthy risk culture by rewarding risk-based thinking (including in remuneration decisions), challenging the status quo and creating a transparent and safe environment for employees to communicate risk concerns.

Enhancing information and cyber security (ICS) capabilities: The Group continues to invest in ICS capabilities. Despite the challenges posed by COVID-19, our technology infrastructure, supervision and controls have been strengthened to meet the additional requirements brought by the pandemic. The expansion of Virtual Private Network capacity along with Multi-Factor Authentication controls have facilitated a large increase in secure remote working across our footprint. We continue to review cyber threats as they evolve, anticipating areas of risk and adapting our continuity arrangements to maintain client service. These threats extend beyond the Group, and we have made it a priority to review our processes and strengthen controls around third-party security risk in response to recent external reports of ransomware attacks. We have benefited from an external review of our ICS enhancements.

Embedding climate risk management: We are making good progress on integrating climate risk into mainstream risk management, with some relevant Reputational, Compliance, Operational and Country Risk processes now incorporating Climate Risk. The Group is also conducting several pilot exercises to accelerate further integration into Credit, Traded, Capital and Liquidity Risk. Governance has been enhanced and rolled out to regions, focusing on markets with local regulatory requirements.

Training and upskilling colleagues across the Group has been a key priority. This year we delivered virtual training sessions and launched our first digital training course on climate risk under our partnership with Imperial College London. We also collaborated with them on a virtual event on energy scenarios and integration into macroeconomic and climate scenarios, with a focus on the coal supply chain in India.

Measuring climate risk remains an industry-wide challenge, and we have invested in internal capabilities and external partnerships to tackle climate risk assessments. With Munich Re's toolkit for physical risk assessment, Baringa's solution for transition risk assessment under various climate scenarios, and granular climate data from S&P Trucost, we significantly advanced our climate risk quantification capabilities. In 2021, we plan to engage our corporate clients with our climate risk insights, to better understand their adaptation and mitigation plans and assess how to best serve their sustainable financing needs.

Our 2020 Task Force on Climate-related Financial Disclosures Report provides further details on the Group's progress.

More details on the Group's approach to Climate Risk can be found at **sc.com/sustainability**

Managing our environmental, social and governance (ESG) risk: There is increasing focus on issues relating to ESG risks from regulators and investors, and we are committed to being a leader in sustainable and responsible banking. The expansion of our Reputational Risk Type Framework to integrate ESG risk management focuses on core principles aligned with the OECD's Due Diligence for Responsible Business Conduct and that of doing no significant harm. We are investing in technology and innovative solutions in this area, having already developed a Reputational Risk and ESG Due Diligence Tool to enable us to better understand and manage ESG issues across our markets. We have also delivered a proof-of-concept model which utilises data on client behaviours combined with machine learning to predict the likelihood that a client relationship would expose the Group to heightened ESG risk and its potential severity.

Managing financial crime risks: We strive to remain at the forefront of the fight against financial crime. COVID-19 has presented a range of new threats, as well as heightening existing risks as criminals look to exploit the instability caused by the pandemic. We have identified and shared information about these threats and have taken steps to protect clients.

Our control capability has continued to strengthen and our Financial Crime Compliance team has identified and prevented fraud, money laundering, bribery and corruption using next-generation surveillance and financial crime monitoring infrastructure. With natural language processing and machine learning tools we generate higher quality cases and reduce false positives, creating a safer environment for our clients. We have also been able to share insights with our clients, colleagues and partners. Despite the pandemic impacting our ability to physically hold Correspondent Banking Academies, we have adapted and held academies virtually, allowing greater participation and helping further promote de-risking through education. We have also continued to strengthen our controls through internal innovation and investment in technology.

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

Strengthening our conduct environment: We continued to enhance our management of conduct risk in 2020, particularly in our approach to identification and mitigation. COVID-19 presented a range of new or heightened conduct risks given the move to large-scale working from home arrangements as well as the economic impact on clients. We focused on ensuring those risks were understood and mitigated throughout the year.

More generally, we have seen an improvement in the overall quality and consistency in the identification and management of conduct risk across the Group, regions and countries. Each area assesses its own operations to identify conduct risks and create conduct plans to mitigate them. The ownership of these plans sits with the first line and they are reviewed and challenged by the Conduct, Financial Crime and Compliance function (CFCC). We have also supplemented our management information and reporting by rolling out the Group Conduct Dashboard which provides conduct-related metrics at a firm-wide level.

We are mindful of new and emerging risks and continue to focus on identifying and mitigating conduct risk arising from the pandemic. Given the expected difficult and uncertain nature of the recovery from COVID-19, we remain vigilant to the need to identify new ways conduct risk may arise in 2021 and beyond.

Enhancing our Risk and CFCC infrastructure: Flexible risk aggregation, centralised data and advanced analytical capabilities have enabled an agile response to the challenges of COVID-19. The integration of our risk aggregation platform with front office data has enabled near real-time bespoke exposure analysis, decisioning and reporting, and our stress testing scenarios have been expanded to include the impact of the pandemic. We have also developed capabilities in areas such as anti-money laundering, identity verification, and digital signatures through partnerships developed by our internal innovation centre, SC Ventures.

In Retail Banking, the use of more sophisticated data mining and predictive analytics tools has accelerated development and deployment of risk and forecasting models. Hubs have been established to centralise specialist knowledge in data engineering and visualisation, model development, validation and governance, with automation of supporting processes to reduce operational risks.

Enhancing our model risk management: During 2020, we focused on delivering a sustainable risk management framework through the Model Risk Management Strategic Enhancement Programme. Model Risk Policy and Standards have been strengthened to enable a risk-based approach and an enhanced set of Risk Appetite metrics has been approved by the Board.

The launch of a Model Risk e-learning module is aimed at increasing awareness of model risk management among our people. The Group Model Inventory has been enhanced under a new platform to improve its technological capability and operations. We constantly review our target operating model to ensure we have the right resources and skillsets for timely delivery. This will continue to be an area of focus with more model redevelopment and validation to be completed in 2021.

Our risk profile and performance in 2020

COVID-19 and the related economic shock has impacted our loan portfolio, and as a result asset quality has deteriorated over the past year. However, actions taken as the crisis unfolded and the work done in previous years to solidify our foundations have helped to mitigate the impact. Our capital and liquidity positions remain strong.

The incorporation of COVID-19 into our stress scenarios and portfolio reviews of exposures most at risk to the economic downturn have allowed us to proactively identify potential areas of vulnerability and manage them accordingly.

We remain cognisant that the recovery will be uneven globally, and the threat of prolonged weak economic outlooks may lead to a sustained period of increased risk aversion and uncertainty.

In the first half of the year we placed selected clients from vulnerable sectors on our watchlist categories for close monitoring. This led to a $5.4 billion increase in early alerts exposure (2020: $10.7 billion; 2019: $5.3 billion), although there was a decrease in the second half of the year due to reductions in exposure, regularisations, and downgrades. Credit Grade 12 loans have increased to $2.2 billion (2019: $1.6 billion) as outflows to non-performing loans were offset by inflows from early alert categories.

The credit impairment charge was significantly higher at $2.3 billion compared to $0.9 billion in 2019. Increases were seen across all stages, with stage 1 and 2 impairment rising partly due to management overlays to reflect expected future deterioration. Stage 3 impairment increased by $0.8 billion to $1.5 billion, with around one third relating to three unrelated downgrades in Corporate & Institutional Banking in the first quarter of 2020.

Overall, gross credit-impaired (stage 3) loans for the Group increased by 25 per cent in 2020, from $7.4 billion to $9.2 billion, driven by downgrades in Corporate & Institutional Banking in the ASEAN & South Asia and Africa & Middle East regions. Retail Banking saw an increase of $0.3 billion in stage 3.

The stage 3 cover ratio in the total customer loan book decreased by 10 percentage points to 58 per cent (2019: 68 per cent) mainly in Corporate & Institutional Banking. This was driven by write-offs and new stage 3 loans with low levels of coverage, which benefit from credit insurance and guarantees, including from export credit agencies. The cover ratio including tangible collateral decreased to 76 per cent (2019: 85 per cent) with some of the 2020 downgrades being covered by guarantees and insurance which are not included as tangible collateral.

Average Group value at risk (VaR) in 2020 was $108 million, a significant increase compared with the previous year (2019: $30 million), driven by the extreme market volatility in interest rates and credit spreads following the outbreak of COVID-19 and the collapse in oil prices. The increase in VaR was predominantly observed in the non-trading book from credit bonds held in the Treasury Markets liquid assets buffer which are almost exclusively of investment grade.

Further details of the Group's risk performance for 2020 are set out in the **Risk update** and the **Risk profile** section of the Annual Report

An update on our risk management approach

Our Enterprise Risk Management Framework outlines how we manage risk across the Group, as well as at branch and subsidiary level. It gives us the structure to manage existing risks effectively in line with our Risk Appetite, as well as allowing for holistic risk identification. In the first half of the year we introduced a number of enhancements including the elevation of Model Risk to a Principal Risk Type (PRT), as well as refreshes of the Risk Type Frameworks for Information and Cyber Security Risk and Operational Risk. These changes have been rolled out and further embedded in the second half of the year.

As part of the annual review of the ERMF we have expanded the Reputational Risk PRT to include Sustainability Risk. There is an increasing focus on issues relating to ESG risk from both regulators and investors, and the Group's commitments to be a leader in sustainable and responsible banking make this is a core tenet of our franchise.

Given its overarching nature, conduct risk management has been incorporated as an integral component of the overall ERMF rather than viewed as a standalone risk, effective from January 2021. The Group will continue to identify conduct risks inherent to the Group's strategy, business model and geographies it operates in, and expects each business and function to be responsible for managing conduct within their area with CFCC providing oversight and challenge. This change allows us to view conduct risk through the lens of delivering positive outcomes for our clients, markets, and internal and external stakeholders. We remain committed to ensuring the highest standard of conduct from all our people. We have no appetite for negative conduct risk outcomes arising from negligent or wilful actions by the Group or individuals recognising that while incidents are unwanted, they cannot be entirely avoided.

Given the Group's diverse footprint, Country Risk management has also been elevated as an integral component of the overall ERMF as part of Group strategy and strategic risk management, effective from January 2021. The Group continues to ensure that country limits and exposures are reasonable and in line with Group strategy, country strategy, Risk Appetite and the operating environment. This includes economic, political, environmental and social risk factors under base and stressed conditions. The Credit Risk PRT will continue to refer and rely on sovereign risk ratings managed through the Country Risk management process.

To meet the needs of the digital agenda and strengthen the technology risk management capabilities of the Group, we have expanded the Operational Risk PRT to include Technology Risk, effective from January 2021. This allows us to focus on risks arising from technology events, with the Operational Risk team providing second-line oversight. We also continue to develop our risk capabilities in new asset classes and technologies such as our approach to cryptoasset-related activities.

Group Chief Risk Officer’s review continued

Principal and cross-cutting risks

Principal risks are risks inherent in our strategy and business model. These are formally defined in our ERMF which provides a structure for monitoring and controlling these risks through the Board-approved Risk Appetite. We will not compromise adherence to our Risk Appetite in order to pursue revenue growth or higher returns.

Principal Risk Types	How these are managed
Credit Risk	The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors
Traded Risk	The Group should control its trading portfolio and activities to ensure that Traded Risk losses (financial or reputational) do not cause material damage to the Group’s franchise
Capital and Liquidity Risk	The Group should maintain a strong capital position, including the maintenance of management buffers sufficient to support its strategic aims, and hold an adequate buffer of high-quality liquid assets to survive extreme but plausible liquidity stress scenarios for at least 60 days without recourse to extraordinary central bank support
Operational and Technology Risk	The Group aims to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group’s franchise
Information and Cyber Security Risk	The Group seeks to avoid risk and uncertainty for our critical information assets and systems and has a low appetite for material incidents affecting these or the wider operations and reputation of the Group
Compliance Risk	The Group has no appetite for breaches in laws and regulations, while recognising that regulatory non-compliance cannot be entirely avoided, the Group strives to reduce this to an absolute minimum
Financial Crime Risk	The Group has no appetite for breaches in laws and regulations related to financial crime, recognising that while incidents are unwanted, they cannot be entirely avoided
Model Risk	The Group has no appetite for material adverse implications arising from the misuse of models or errors in the development or implementation of models, while accepting model uncertainty
Reputational and Sustainability Risk	The Group aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight
Climate Risk[1]	The Group aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to our own activities and those related to the financing of clients in alignment with the Paris Agreement

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

Further details of our Principal Risks and how these are being managed are set out in the **Principal Risks** section of the Annual Report

Emerging risks

Emerging risks refer to unpredictable and uncontrollable events with the potential to materially impact our business. As part of our continuous risk identification process, we have updated the Group’s emerging risks from those disclosed in the 2019 Annual Report.

The table on the next page summarises our current list of emerging risks, outlining the risk trend changes since the end of 2019, the reasons for any changes and the mitigating actions we are taking based on our current knowledge and assumptions. This reflects the latest internal assessment as identified by senior management. The list is not exhaustive and there may be additional risks which could have an adverse effect on the Group. Our mitigation approach for these risks may not eliminate them, but shows the Group’s attempt to reduce or manage the risk. As certain risks develop and materialise over time, management will take appropriate steps to mitigate the risk based on its impact on the Group.

Climate related transition and physical risks have been removed as an emerging risk as Climate Risk is now classified as a cross-cutting risk. A detailed explanation of the other changes to our Emerging Risks compared with 2019 can be found in the Annual Report.

Group Chief Risk Officer’s review continued

Emerging Risks	Risk trend since 2019[1]	Key risk trend drivers	How these are mitigated
COVID-19 and the emergence of new diseases	↑	COVID-19 continues to spread globally. Measures to contain the virus, such as travel bans and restrictions, curfews, quarantines and shutdowns have led to increased volatility in financial markets and commodity prices and severe economic downturns in many countries. There is a risk other diseases may emerge	As part of our stress tests, a severe stress in the global economy associated with a sharp slow-down was assessed Exposures that could result in material credit impairment charges and risk-weighted asset inflation under stress tests are regularly reviewed and actively managed To support our clients the Group has enacted comprehensive support schemes for retail and corporate customers, including loan and interest repayment holidays, covenant relief, fee waivers or cancellations, loan extensions and new facilities The Group’s priority remains the health and safety of our clients and employees and continuation of normal operations by leveraging our robust Business Continuity Plans which enable the majority of our colleagues to work remotely where possible
US-China trade tensions driven by geopolitics and trade imbalance	↑	Measures taken by China and the US on trade tariffs since 2018 have increased concerns of a global geopolitical and trade war. Tensions escalated in 2020 and continue to deteriorate, posing a risk to global supply chains	Sharp slowdowns in the US, China, and more broadly, world trade and global growth are a feature of Group stress scenarios. These stress tests provide visibility to key vulnerabilities so that management can implement timely interventions Detailed portfolio reviews are conducted on an ongoing basis and action is taken where necessary We monitor and assess geopolitical events and act as appropriate to ensure we minimise the impact to the Group and our clients Increased scrutiny is applied when onboarding clients in sensitive industries and in ensuring compliance with sanctions requirements
Geopolitical events, in particular: the rise of populism and nationalism, Middle East tensions and social unrest driven by moderation of growth in key footprint markets and political concerns	←→	There are increasing concerns following the rise of populism and nationalism. COVID-19 and focus on local economies have helped contribute to reduced security incidents in the Middle East relative to 2019. 2019 and 2020 saw a surge in protests globally and the risk is these will increase further in 2021. The economic impact of policy decisions made in 2020 may pose a risk to future growth	We monitor and assess geopolitical events and act as appropriate to ensure we minimise the impact to the Group and our clients There is continuous monitoring at a country, regional and Group level to identify emerging risks and evaluate their management We conduct portfolio reviews at a Group, country and business level to assess the impact of extreme but plausible geopolitical events
Macroeconomic concerns, in particular, rising sovereign default risk	↑	COVID-19 has exacerbated already deteriorating market conditions, causing liquidity and potentially solvency issues for a number of the world’s poorest countries. Central bank responses to the crisis may result in asset bubbles and inflation	Exposures that may result in material credit impairment and increased risk-weighted assets are closely monitored and actively managed We conduct stress tests and portfolio reviews at a country and business level to assess the impact of extreme but plausible events and manage the portfolio accordingly We actively utilise credit risk mitigation techniques including credit insurance and collateral We actively track the participation of our footprint countries in G20’s Common Framework for Debt Treatments and the associated exposure
Interbank Offered Rate discontinuation and transition	←→	There are concerns regarding the impact of the discontinuation of the IBOR benchmarks and the transition to Risk Free Rates (RFRs). LIBOR is relied upon by the Group as a reference rate	The Group has a global IBOR Transition Programme to consider all aspects of the transition and how risks can be mitigated The Group has raised awareness and understanding of the transition, both internally and with clients, with around 6,500 staff and more than 1,900 clients trained globally From an industry and regulatory perspective, the Group is actively participating in and contributing to different RFR Working Groups, industry associations and business forums focusing on different aspects of the IBOR to RFR transition

Emerging Risks	Risk trend since 2019[1]	Key risk trend drivers	How these are mitigated
Third party dependency	↑	Economic conditions have impacted businesses globally and placed significant pressure on the financial health of our suppliers, vendors and other third parties. There is a risk of increased cyber threats associated with third-party vendors as a result of COVID-19	An internal review of third-party risk was completed in 4Q'20 and recommendations to enhance overall third-party risk management are being implemented Enhanced 2021 Risk Appetite metrics for vendor services were approved by the Board
New technologies and digitisation (including business disruption risk and responsible use of Artificial Intelligence)	←→	Client expectations and the way they interact with the Group may change, potentially accelerating the adoption of digital solutions	We monitor emerging trends, opportunities and risk developments in technology which may have implications on the banking sector We have rolled out enhanced digital capabilities in Retail Banking, particularly around onboarding, sales and marketing We are enhancing capabilities to ensure our systems are resilient, we remain relevant and can capitalise quickly on technology trends We continue to make headway in harnessing new technologies, and are investing in machine learning solutions that rapidly analyse large data sets and fine-tune the accuracy of our financial crime tools
Increased data privacy and security risks from strategic and wider use of data	↑	Regulatory requirements and client expectations relating to data management and privacy are increasing across our markets, including the ethical use of data	We actively monitor regulatory developments in relation to data management, data protection and privacy We have established a dedicated Data and Privacy team to build data management and privacy expertise across the Group while ensuring compliance with data ownership and consent requirements
Increase in long-term remote working providing new challenges	↑	The number of employees working remotely and increasingly advanced capabilities of threat actors have raised this risk in addition to internal (supervision, culture and support) and external (clients and other counterparties) considerations	The Group has assessed the risk, impact and robustness of continuity plans for pandemic critical vendor services supporting critical banking operations We actively monitor cyber threats and risks, and have implemented heightened technical and organisational measures designed to prevent, detect and respond to threats The Group is undertaking a Future of Work assessment which considers data privacy and cyber security in addition to culture and leadership

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

Further details on our **Emerging Risks** can be found in the Annual Report.

Summary

The world has undergone significant upheaval in the past year and we have demonstrated resilience and adapted to the new and distinct challenges we have faced. We recognise that risks will remain heightened during the coming period amid what is likely to be a difficult and uneven economic recovery. We remain vigilant with a focus on achieving the right outcomes for our clients. The actions we take will set the foundations for achieving sustained growth and performance as we build back better during the recovery.

Mark Smith
Group Chief Risk Officer
25 February 2021

Credit quality by client segment

	2020								
		Customers							
Amortised cost	Banks $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Customer Total $million	Undrawn commitments $million	Financial Guarantees $million
Stage 1	44,015	90,559	113,162	20,434	13,132	19,150	256,437	143,703	49,489
– Strong	34,961	58,031	110,903	6,246	8,863	18,889	202,932	122,792	30,879
– Satisfactory	9,054	32,528	2,259	14,188	4,269	261	53,505	20,911	18,610
Stage 2	349	16,408	2,459	3,596	198	–	22,661	9,698	3,573
– Strong	95	2,538	1,328	218	194	–	4,278	3,537	386
– Satisfactory	233	12,326	661	2,779	4	–	15,770	5,522	2,399
– Higher risk	21	1,544	470	599	–	–	2,613	639	788
Of which (stage 2):									
– Less than 30 days past due	–	168	661	34	2	–	865	–	–
– More than 30 days past due	29	64	470	84	10	–	628	–	–
Stage 3, credit-impaired financial assets	–	5,506	1,173	2,146	389	–	9,214	2	770
Gross balance[1]	44,364	112,473	116,794	26,176	13,719	19,150	288,312	153,403	53,832
Stage 1	(14)	(67)	(429)	(28)	(9)	(1)	(534)	(39)	(20)
– Strong	(7)	(25)	(300)	(9)	(7)	–	(341)	(19)	(13)
– Satisfactory	(7)	(42)	(129)	(19)	(2)	(1)	(193)	(20)	(7)
Stage 2	(3)	(387)	(251)	(100)	–	–	(738)	(78)	(36)
– Strong	–	(41)	(100)	(1)	–	–	(142)	(3)	(3)
– Satisfactory	(3)	(223)	(85)	(68)	–	–	(376)	(44)	(19)
– Higher risk	–	(123)	(66)	(31)	–	–	(220)	(31)	(14)
Of which (stage 2):									
– Less than 30 days past due	–	(4)	(85)	(2)	–	–	(91)	–	–
– More than 30 days past due	–	(3)	(66)	(3)	–	–	(72)	–	–
Stage 3, credit-impaired financial assets	–	(3,065)	(569)	(1,545)	(162)	–	(5,341)	–	(194)
Total credit impairment	(17)	(3,519)	(1,249)	(1,673)	(171)	(1)	(6,613)	(117)	(250)
Net carrying value	44,347	108,954	115,545	24,503	13,548	19,149	281,699		
Stage 1	0.0%	0.1%	0.4%	0.1%	0.1%	0.0%	0.2%	0.0%	0.0%
– Strong	0.0%	0.0%	0.3%	0.1%	0.1%	0.0%	0.2%	0.0%	0.0%
– Satisfactory	0.1%	0.1%	5.7%	0.1%	0.0%	0.4%	0.4%	0.1%	0.0%
Stage 2	0.9%	2.4%	10.2%	2.8%	0.0%	0.0%	3.3%	0.8%	1.0%
– Strong	0.0%	1.6%	7.5%	0.5%	0.0%	0.0%	3.3%	0.1%	0.8%
– Satisfactory	1.3%	1.8%	12.9%	2.4%	0.0%	0.0%	2.4%	0.8%	0.8%
– Higher risk	0.0%	8.0%	14.0%	5.2%	0.0%	0.0%	8.4%	4.9%	1.8%
Of which (stage 2):									
– Less than 30 days past due	0.0%	2.4%	12.9%	5.9%	0.0%	0.0%	10.5%	0.0%	0.0%
– More than 30 days past due	0.0%	4.7%	14.0%	3.6%	0.0%	0.0%	11.5%	0.0%	0.0%
Stage 3, credit-impaired financial assets	0.0%	55.7%	48.5%	72.0%	41.6%	0.0%	58.0%	0.0%	25.2%
Cover ratio	0.0%	3.1%	1.1%	6.4%	1.2%	0.0%	2.3%	0.1%	0.5%
Fair value through profit or loss									
Performing	22,082	51,549	135	2,835	–	12	54,531	–	–
– Strong	18,100	27,323	133	2,204	–	8	29,668	–	–
– Satisfactory	3,982	24,144	2	631	–	4	24,781	–	–
– Higher risk	–	82	–	–	–	–	82	–	–
Defaulted (CG13-14)	–	37	–	9	–	–	46	–	–
Gross balance (FVTPL)[2]	22,082	51,586	135	2,844	–	12	54,577	–	–
Net carrying value (incl FVTPL)	66,429	160,540	115,680	27,347	13,548	19,161	336,276		

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

2 Loans and advances includes reverse repurchase agreements and other similar secured lending of $45,200 million under Customers and of $18,205 million under Banks, held at fair value through profit or loss

Amortised cost	2019 Banks $million	Customers[3] Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Customer Total $million	Undrawn commitments $million	Financial Guarantees $million
Stage 1	52,634	94,226	103,899	23,683	14,249	10,092	246,149	132,242	42,597
– Strong	41,053	58,623	101,246	6,941	10,145	9,961	186,916	113,195	27,417
– Satisfactory	11,581	35,603	2,653	16,742	4,104	131	59,233	19,047	15,180
Stage 2	924	13,454	3,029	3,985	284	7	20,759	8,951	3,509
– Strong	225	2,711	2,231	208	280	–	5,430	3,988	1,049
– Satisfactory	476	9,652	462	3,493	4	–	13,611	4,601	2,248
– Higher risk	223	1,091	336	284	–	7	1,718	362	212
Of which (stage 2):									
– Less than 30 days past due	2	145	462	58	–	–	665	–	–
– More than 30 days past due	23	175	336	86	4	–	601	–	–
Stage 3, credit-impaired financial assets	–	4,173	846	2,013	366	–	7,398	1	608
Gross balance[1]	53,558	111,853	107,774	29,681	14,899	10,099	274,306	141,194	46,714
Stage 1	(5)	(78)	(289)	(24)	(10)	(1)	(402)	(43)	(14)
– Strong	–	(29)	(182)	(1)	(8)	–	(220)	(22)	(8)
– Satisfactory	(5)	(49)	(107)	(23)	(2)	(1)	(182)	(21)	(6)
Stage 2	(4)	(143)	(173)	(60)	(1)	–	(377)	(38)	(16)
– Strong	(2)	(33)	(88)	(5)	(1)	–	(127)	(7)	(3)
– Satisfactory	(2)	(51)	(45)	(40)	–	–	(136)	(14)	(8)
– Higher risk	–	(59)	(40)	(15)	–	–	(114)	(17)	(5)
Of which (stage 2):									
– Less than 30 days past due	–	(3)	(45)	(2)	–	–	(50)	–	–
– More than 30 days past due	–	(4)	(40)	(5)	–	–	(49)	–	–
Stage 3, credit-impaired financial assets	–	(2,980)	(374)	(1,503)	(147)	–	(5,004)	–	(206)
Total credit impairment	(9)	(3,201)	(836)	(1,587)	(158)	(1)	(5,783)	(81)	(236)
Net carrying value	53,549	108,652	106,938	28,094	14,741	10,098	268,523	–	–
Stage 1	0.0%	0.1%	0.3%	0.1%	0.1%	0.0%	0.2%	0.0%	0.0%
– Strong	0.0%	0.0%	0.2%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%
– Satisfactory	0.0%	0.1%	4.0%	0.1%	0.0%	0.8%	0.3%	0.1%	0.0%
Stage 2	0.4%	1.1%	5.7%	1.5%	0.4%	0.0%	1.8%	0.4%	0.5%
– Strong	0.9%	1.2%	3.9%	2.4%	0.4%	0.0%	2.3%	0.2%	0.3%
– Satisfactory	0.4%	0.5%	9.7%	1.1%	0.0%	0.0%	1.0%	0.3%	0.4%
– Higher risk	0.0%	5.4%	11.9%	5.3%	0.0%	0.0%	6.6%	4.8%	2.4%
Of which (stage 2):									
– Less than 30 days past due	0.0%	2.1%	9.7%	3.4%	0.0%	0.0%	7.5%	0.0%	0.0%
– More than 30 days past due	0.0%	2.3%	11.9%	5.8%	0.0%	0.0%	8.2%	0.0%	0.0%
Stage 3, credit-impaired financial assets	0.0%	71.4%	44.2%	74.7%	40.2%	0.0%	67.6%	0.0%	33.9%
Cover ratio	0.0%	2.9%	0.8%	5.3%	1.1%	0.0%	2.1%	0.1%	0.5%
Fair value through profit or loss									
Performing	21,797	45,104	238	845	–	2	46,189	–	–
– Strong	19,217	26,511	236	253	–	1	27,001	–	–
– Satisfactory	2,580	18,584	1	592	–	1	19,178	–	–
– Higher risk	–	9	1	–	–	–	10	–	–
Defaulted (CG13-14)	–	34	–	8	–	–	42	–	–
Gross balance (FVTPL)[2]	21,797	45,138	238	853	–	2	46,231	–	–
Net carrying value (incl FVTPL)	75,346	153,790	107,176	28,947	14,741	10,100	314,754		

1 Loans and advances includes reverse repurchase agreements and other similar secured lending of $1,469 million under Customers and of $1,341 million under Banks, held at amortised cost

2 Loans and advances includes reverse repurchase agreements and other similar secured lending of $39,335 million under Customers and of $18,269 million under Banks, held at fair value through profit or loss

3 Corporate & Institutional Banking, Commercial Banking and Retail Banking Gross and ECL numbers have been restated to reflect client transfers between the segments. The changes are in stage 1 and stage 2 only. In the Fair value through profit or loss section, the swap is between Corporate & Institutional Banking and Commercial Banking

Risk review continued

Credit impairment charge

	2020			2019		
	Stage 1 & 2 $million	Stage 3 $million	Total $million	Stage 1 & 2 $million	Stage 3 $million	Total $million
Ongoing business portfolio						
Corporate & Institutional Banking	321	916	1,237	95	380	475
Retail Banking	414	301	715	175	161	336
Commercial Banking	70	246	316	(13)	135	122
Private Banking	(2)	4	2	1	(32)	(31)
Central & Others	24	–	24	4	–	4
Credit impairment charge	827	1,467	2,294	262	644	906
Restructuring business portfolio						
Others[1]	–	31	31	1	1	2
Credit impairment charge	–	31	31	1	1	2
Total credit impairment charge	827	1,498	2,325	263	645	908

1 There was a net $31 million impairment (31 December 2019: $2 million) from the Group's discontinued businesses

COVID-19 relief measures

			Greater China & North Asia		ASEAN & South Asia		Africa & Middle East		Europe & Americas	
Segment	Out-standing $m	% of portfolio[1]	Out-standing $m	% of portfolio[1]	Out-standing $m	% of portfolio[1]	Out-standing $m	% of portfolio[1]	Out-standing $m	% of portfolio[1]
Credit Card & Personal loans	241	2%	23	0%	90	0%	128	7%		
Mortgages & Auto	1,758	2%	526	1%	1,202	7%	30	1%		
Business Banking	373	3%	103	2%	262	4%	8	1%		
Total Retail Banking	**2,372**	**2%**	**652**	**1%**	**1,554**	**5%**	**166**	**3%**		
Corporate & Institutional Banking	727		51		320		336		20	
Commercial Banking	468		262		113		93		–	
Total at 31 December 2020	**3,567**	**1%**	**965**		**1,987**		**595**		**20**	

1 Percentage of portfolio represents the outstanding amount at 31 December 2020 as a percentage of the gross loans and advances to banks and customers by product and segment and total loans and advances to banks and customers at 31 December 2020

Vulnerable Sectors

Amortised Cost	2020 Maximum on-balance sheet exposure (net of credit impairment) $million	Collateral $million	Net on-balance sheet exposure $million	Undrawn commitments (net of credit impairment) $million	Financial guarantees (net of credit impairment) $million	Net off-balance sheet exposure $million	Total on & off-balance sheet net exposure $million
Industry:							
Aviation[1]	3,839	2,106	1,733	1,321	531	1,852	3,585
Commodity traders	8,664	318	8,346	2,189	4,459	6,648	14,994
Metals & mining	3,882	513	3,369	2,850	886	3,736	7,105
Commercial real estate	19,090	8,004	11,086	5,283	313	5,596	16,682
Hotels & tourism	2,557	1,110	1,447	1,185	110	1,295	2,742
Oil & gas	7,199	1,032	6,167	8,332	5,587	13,919	20,086
Total	45,231	13,083	32,148	21,160	11,886	33,046	65,194
Total Corporate & Institutional Banking and Commercial Banking	133,457	27,561	105,896	92,001	46,725	138,726	244,622
Total Retail Banking, Private Banking and other segments	192,589	103,886	88,703	61,285	6,857	68,142	156,845
Total Group	326,046	131,447	194,599	153,286	53,582	206,868	401,467

Amortised Cost	2019 Maximum on-balance sheet exposure (net of credit impairment) $million	Collateral $million	Net on-balance sheet exposure $million	Undrawn commitments (net of credit impairment) $million	Financial guarantees (net of credit impairment) $million	Net off-balance sheet exposure $million	Total on & off-balance sheet net exposure $million
Industry:							
Aviation[1]	3,659	1,186	2,473	1,131	556	1,687	4,160
Commodity traders	10,386	326	10,060	2,736	4,075	6,811	16,871
Metals & mining	5,436	381	5,055	2,774	602	3,376	8,431
Commercial real estate	16,476	5,892	10,584	6,771	390	7,161	17,745
Hotels & tourism	2,397	800	1,597	1,634	146	1,780	3,377
Oil & gas	8,041	1,241	6,800	8,118	5,943	14,061	20,861
Total	46,395	9,826	36,569	23,164	11,712	34,876	71,445
Total Corporate & Institutional Banking and Commercial Banking	136,746	27,065	109,681	86,058	40,873	126,931	236,612
Total Retail Banking, Private Banking and other segments	185,326	96,391	88,935	55,055	5,605	60,660	149,595
Total Group	322,072	123,456	198,616	141,113	46,478	187,591	386,207

1 In addition to the aviation sector loan exposures, the Group owns $3.9 billion (31 December 2019: $3.4 billion) of aircraft under operating leases. Refer to page 371 – Operating lease assets

Loans and advances by stage

Amortised Cost	2020 Stage 1 Gross balance $million	Stage 1 Total credit impairment $million	Stage 1 Net carrying amount $million	Stage 2 Gross balance $million	Stage 2 Total credit impairment $million	Stage 2 Net carrying amount $million	Stage 3 Gross balance $million	Stage 3 Total credit impairment $million	Stage 3 Net carrying amount $million	Total Gross balance $million	Total Total credit impairment $million	Total Net carrying amount $million
Industry:												
Aviation	2,073	(1)	2,072	1,613	(26)	1,587	258	(78)	180	3,944	(105)	3,839
Commodity traders	8,067	(3)	8,064	473	(12)	461	799	(660)	139	9,339	(675)	8,664
Metals & mining	3,128	(3)	3,125	677	(18)	659	210	(112)	98	4,015	(133)	3,882
Commercial real estate	15,847	(13)	15,834	3,068	(34)	3,034	408	(186)	222	19,323	(233)	19,090
Hotels & tourism	1,318	(2)	1,316	1,168	(18)	1,150	138	(47)	91	2,624	(67)	2,557
Oil & gas	5,650	(7)	5,643	1,548	(69)	1,479	276	(199)	77	7,474	(275)	7,199
Total	36,083	(29)	36,054	8,547	(177)	8,370	2,089	(1,282)	807	46,719	(1,488)	45,231
Total Corporate & Institutional Banking and Commercial Banking	110,993	(95)	110,898	20,004	(487)	19,517	7,652	(4,610)	3,042	138,649	(5,192)	133,457
Total Retail Banking, Private Banking and other segments	189,459	(453)	189,006	3,006	(254)	2,752	1,562	(731)	831	194,027	(1,438)	192,589
Total Group	300,452	(548)	299,904	23,010	(741)	22,269	9,214	(5,341)	3,873	332,676	(6,630)	326,046

Amortised Cost	2019 Stage 1 Gross balance $million	Stage 1 Total credit impairment $million	Stage 1 Net carrying amount $million	Stage 2 Gross balance $million	Stage 2 Total credit impairment $million	Stage 2 Net carrying amount $million	Stage 3 Gross balance $million	Stage 3 Total credit impairment $million	Stage 3 Net carrying amount $million	Total Gross balance $million	Total Total credit impairment $million	Total Net carrying amount $million
Industry:												
Aviation	3,426	(1)	3,425	236	(8)	228	6	–	6	3,668	(9)	3,659
Commodity traders	8,693	(10)	8,683	1,663	(6)	1,657	401	(355)	46	10,757	(371)	10,386
Metals & mining	4,422	(5)	4,417	875	(10)	865	292	(138)	154	5,589	(153)	5,436
Commercial real estate	14,244	(18)	14,226	2,092	(33)	2,059	293	(102)	191	16,629	(153)	16,476
Hotels & tourism	2,012	(4)	2,008	384	(2)	382	35	(28)	7	2,431	(34)	2,397
Oil & gas	6,854	(10)	6,844	1,031	(15)	1,016	441	(260)	181	8,326	(285)	8,041
Total	39,651	(48)	39,603	6,281	(74)	6,207	1,468	(883)	585	47,400	(1,005)	46,395
Total Corporate & Institutional Banking and Commercial Banking	117,909	(102)	117,807	17,439	(203)	17,236	6,186	(4,483)	1,703	141,534	(4,788)	136,746
Total Retail Banking, Private Banking and other segments	180,874	(305)	180,569	4,244	(178)	4,066	1,212	(521)	691	186,330	(1,004)	185,326
Total Group	298,783	(407)	298,376	21,683	(381)	21,302	7,398	(5,004)	2,394	327,864	(5,792)	322,072

Capital review

Capital ratios

	31.12.20	30.09.20	Change[4]	30.06.20	Change[4]	31.12.19	Change[4]
CET1	**14.4%**	14.4%	–	14.3%	0.1	13.8%	0.6
Tier 1 capital	**16.5%**	16.5%	–	16.5%	–	16.5%	–
Total capital	**21.2%**	21.4%	(0.2)	21.5%	(0.3)	21.2%	–

CRD Capital base[1] (audited)

	31.12.20 $million	30.09.20 $million	Change[5] %	30.06.20 $million	Change[5] %	31.12.19 $million	Change[5] %
CET1 instruments and reserves							
Capital instruments and the related share premium accounts	**5,564**	5,564	–	5,564	–	5,584	–
Of which: share premium accounts	**3,989**	3,989	–	3,989	–	3,989	–
Retained earnings[2]	**25,723**	25,748	–	25,798	–	24,044	7
Accumulated other comprehensive income (and other reserves)	**12,688**	12,037	5	11,431	11	11,685	9
Non-controlling interests (amount allowed in consolidated CET1)	**180**	170	6	170	6	723	(75)
Independently reviewed interim and year-end profits	**718**	1,203	(40)	1,050	(32)	2,301	(69)
Foreseeable dividends	**(481)**	(228)	111	(163)	195	(871)	(45)
CET1 capital before regulatory adjustments	**44,392**	44,494	–	43,850	1	43,466	2
CET1 regulatory adjustments							
Additional value adjustments (prudential valuation adjustments)	**(490)**	(508)	(4)	(527)	(7)	(615)	(20)
Intangible assets (net of related tax liability)[3]	**(4,274)**	(4,821)	(11)	(4,938)	(13)	(5,318)	(20)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	**(138)**	(76)	82	(129)	7	(129)	7
Fair value reserves related to net losses on cash flow hedges	**52**	71	(27)	121	(57)	59	(12)
Deduction of amounts resulting from the calculation of excess expected loss	**(701)**	(553)	27	(572)	23	(822)	(5)
Net gains on liabilities at fair value resulting from changes in own credit risk	**52**	(15)	(447)	(15)	(447)	(2)	(2,700)
Defined-benefit pension fund assets	**(40)**	(6)	567	(7)	471	(26)	54
Fair value gains arising from the institution's own credit risk related to derivative liabilities	**(48)**	(110)	(56)	(128)	(63)	(38)	26
Exposure amounts which could qualify for risk weighting of 1250%	**(26)**	(27)	(4)	(30)	(13)	(62)	(58)
Total regulatory adjustments to CET1	**(5,613)**	(6,045)	(7)	(6,225)	(10)	(6,953)	(19)
CET1 capital	**38,779**	38,449	1	37,625	3	36,513	6
Additional Tier 1 capital (AT1) instruments	**5,632**	5,631	–	5,632	–	7,184	(22)
AT1 regulatory adjustments	**(20)**	(20)	–	(20)	–	(20)	–
Tier 1 capital	**44,391**	44,060	1	43,237	3	43,677	2
					–		
Tier 2 capital instruments	**12,687**	13,021	(3)	13,261	(4)	12,318	3
Tier 2 regulatory adjustments	**(30)**	(30)	–	(30)	–	(30)	–
Tier 2 capital	**12,657**	12,991	(3)	13,231	(4)	12,288	3
Total capital	**57,048**	57,051	–	56,468	1	55,965	2
Total risk-weighted assets (unaudited)	**268,834**	266,664	1	262,552	2	264,090	2

1 CRD capital is prepared on the regulatory scope of consolidation
2 Retained earnings includes IFRS9 capital relief (transitional) of $394 million, including dynamic relief of $97 million
3 Deduction for intangible assets includes software deduction relief of $677 million as the CRR 'Quick Fix' measures
4 Change is the percentage point difference between two periods, rather than percentage change
5 Variance is increase/(decrease) comparing current reporting period to prior reporting periods

Capital review continued

Movement in total capital (audited)

	2020 $million	2019 $million
CET1 at 1 January	**36,513**	36,717
Ordinary shares issued in the period and share premium	–	25
Share buy-back	(242)	(1,006)
Profit for the period	718	2,301
Foreseeable dividends deducted from CET1	(481)	(871)
Difference between dividends paid and foreseeable dividends	476	(641)
Movement in goodwill and other intangible assets	1,044	(172)
Foreign currency translation differences	700	(180)
Non-controlling interests	(543)	37
Movement in eligible other comprehensive income	324	284
Deferred tax assets that rely on future profitability	(9)	(14)
Decrease/(increase) in excess expected loss	121	53
Additional value adjustments (prudential valuation adjustment)	125	(51)
IFRS 9 transitional impact on regulatory reserves including day one	35	(43)
Exposure amounts which could qualify for risk weighting	36	61
Fair value gains arising from the institution's own Credit Risk related to derivative liabilities	(10)	–
Other	(28)	13
CET1 at 31 December	**38,779**	36,513
AT1 at 1 January	**7,164**	6,684
Net issuances (redemptions)	(995)	552
Foreign currency translation difference	8	9
Excess on AT1 grandfathered limit (ineligible)	(565)	(81)
AT1 at 31 December	**5,612**	7,164
Tier 2 capital at 1 January	**12,288**	12,295
Regulatory amortisation	(463)	(1,111)
Net issuances (redemptions)	(69)	1,000
Foreign currency translation difference	257	(12)
Tier 2 ineligible minority interest	82	31
Recognition of ineligible AT1	565	81
Other	(3)	4
Tier 2 capital at 31 December	**12,657**	12,288
Total capital at 31 December	**57,048**	55,965

The main movements in capital in the period were:

- CET1 increased by $2.3 billion as retained profits of $0.7 billion, a $0.7 billion lower deduction for software resulting from adoption of CRR II Quick fix measures[1], favourable foreign currency translation impacts of $0.7 billion and other comprehensive income movements of $0.3 billion were only part offset by the part completed share buy-back of $0.2 billion and the $0.5 billion decrease in non-controlling interests mainly due to the sale of Permata.
- AT1 decreased to $5.6 billion as the call of $2 billion of existing 6.5 per cent AT1 securities and the ongoing de-recognition of legacy Tier 1 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 increased by $0.4 billion as issuances of $2.4 billion of new Tier 2 instruments and the recognition of ineligible AT1 were partly offset by regulatory amortisation and the redemption of $2.7 billion of Tier 2 during the year.

1 On 30 June, the PRA published a statement on various amendments to the Capital Requirements Regulation (CRR) including revisions to certain IFRS 9 transitional arrangements and the treatment of software assets in CET1 with the intention of part offsetting COVID impacts on CET1 ratios (CRR Quick Fix). As at 31 December 2020 the CRR Quick Fix changes provided a CET1 benefit of around 29 basis points of which the change in treatment of software assets contributed 22 basis points. However, the PRA is consulting to maintain the earlier position whereby all software assets are fully deducted from CET1.

Capital review continued

Risk-weighted assets by business

	31.12.20			
	Credit risk $million	Operational risk $million	Market risk $million	Total risk $million
Corporate & Institutional Banking	102,004	13,153	21,465	136,622
Retail Banking	39,595	7,575	–	47,170
Commercial Banking	25,659	2,810	–	28,469
Private Banking	5,160	763	–	5,923
Central & other items	48,023	2,499	128	50,650
Total risk-weighted assets	220,441	26,800	21,593	268,834

	30.09.20			
	Credit risk $million	Operational risk $million	Market risk $million	Total risk $million
Corporate & Institutional Banking	103,116	13,153	22,143	138,412
Retail Banking	37,270	7,575	–	44,845
Commercial Banking	27,685	2,810	–	30,495
Private Banking	5,488	763	–	6,251
Central & other items	44,161	2,499	1	46,661
Total risk-weighted assets	217,720	26,800	22,144	266,664

	30.06.20			
	Credit risk $million	Operational risk $million	Market risk $million	Total risk $million
Corporate & Institutional Banking	101,651	13,153	22,346	137,150
Retail Banking	36,611	7,575	–	44,186
Commercial Banking	28,046	2,810	–	30,856
Private Banking	5,365	763	–	6,128
Central & other items	41,463	2,499	270	44,232
Total risk-weighted assets	213,136	26,800	22,616	262,552

	31.12.19			
	Credit risk $million	Operational risk $million	Market risk $million	Total risk $million
Corporate & Institutional Banking	95,261	13,261	20,562	129,084
Retail Banking	37,194	7,314	–	44,508
Commercial Banking	28,350	2,626	–	30,976
Private Banking	5,681	728	–	6,409
Central & other items	49,178	3,691	244	53,113
Total risk-weighted assets	215,664	27,620	20,806	264,090

Risk-weighted assets by geographic region

	31.12.20 $million	30.09.20 $million	Change[1] %	30.06.20 $million	Change[1] %	31.12.19 $million	Change[1] %
Greater China & North Asia	92,860	92,863	–	89,139	4	85,695	8
ASEAN & South Asia	81,423	80,123	2	80,040	2	88,942	(8)
Africa & Middle East	51,149	52,524	(3)	52,009	(2)	49,244	4
Europe & Americas	45,758	43,818	4	44,326	3	43,945	4
Central & other items	(2,356)	(2,664)	(12)	(2,962)	(20)	(3,736)	(37)
Total risk-weighted assets	268,834	266,664	1	262,552	2	264,090	2

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

Movement in risk-weighted assets

	Credit risk								
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million	Operational risk $million	Market risk $million	Total risk $million
At 1 January 2019	96,954	35,545	27,711	5,103	45,825	211,138	28,050	19,109	258,297
Assets growth mix	1,303	1,020	(557)	528	4,093	6,387	–	–	6,387
Asset quality	2,565	832	(642)	8	607	3,370	–	–	3,370
Risk-weighted assets efficiencies	(1,112)	(33)	(403)	–	(2,404)	(3,952)	–	–	(3,952)
Model, methodology and policy changes	(904)	(7)	–	–	1,400	489	–	500	989
Disposals	(397)	–	(441)	–	–	(838)	–	–	(838)
Foreign currency translation	(182)	(219)	(228)	42	(343)	(930)	–	–	(930)
Other non-credit risk movements	–	–	–	–	–	–	(430)	1,197	767
At 31 December 2019	98,227	37,138	25,440	5,681	49,178	215,664	27,620	20,806	264,090
At 1 January 2020[1]	**95,261**	**37,194**	**28,350**	**5,681**	**49,178**	**215,664**	**27,620**	**20,806**	**264,090**
Assets growth mix	**(6,684)**	**1,122**	**(3,059)**	**(602)**	**3,711**	**(5,512)**	**–**	**–**	**(5,512)**
Asset quality	**11,685**	**325**	**505**	**(2)**	**2,409**	**14,922**	**–**	**–**	**14,922**
Risk-weighted assets efficiencies	**(150)**	**–**	**79**	**–**	**–**	**(71)**	**–**	**–**	**(71)**
Model, methodology and policy changes	**586**	**134**	**(339)**	**–**	**661**	**1,042**	**–**	**(1,500)**	**(458)**
Disposals	**–**	**–**	**–**	**–**	**(7,859)**	**(7,859)**	**(1,003)**	**(159)**	**(9,021)**
Foreign currency translation	**1,306**	**820**	**123**	**83**	**(77)**	**2,255**	**–**	**–**	**2,255**
Other non-credit risk movements	**–**	**–**	**–**	**–**	**–**	**–**	**183**	**2,446**	**2,629**
At 31 December 2020	**102,004**	**39,595**	**25,659**	**5,160**	**48,023**	**220,441**	**26,800**	**21,593**	**268,834**

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

Movements in risk-weighted assets

Total risk-weighted assets (RWA) increased 2 per cent or $4.7 billion since 31 December 2019 to $268.8 billion.

- Credit risk RWA increased $4.8 billion to $220.4 billion, driven by an increase of $15 billion from negative credit migration related to the impact of economic disruption due to COVID-19, of which $3 billion occurred in 4Q'20, underlying asset growth of $6 billion as well as unfavourable FX movements of $2 billion. This was partly offset by the completion of the sale of the Group's interest in PT Bank Permata Tbk (Permata) in Indonesia – which reduced Credit RWA by $8 billion – and a $11 billion reduction from improved RWA density and the impact of RWA optimisation actions
- Market risk RWA increased by $0.8 billion to $21.6 billion due to higher levels of Financial Markets activity with increased value-at-risk from elevated market volatility partly offset by regulatory mitigation for back-testing exceptions
- Operational risk RWA reduced by $0.8 billion primarily reflecting a $1 billion reduction relating to the disposal of the Group's stake in Permata

Capital review continued

UK leverage ratio

	31.12.20 $million	30.09.20 $million	Change[3] %	30.06.20 $million	Change[3] %	31.12.19 $million	Change[3] %
Tier 1 capital (transitional)	**44,391**	44,060	1	43,237	3	43,677	2
Additional Tier 1 capital subject to phase out	**(1,114)**	(1,114)	–	(1,114)	–	(1,671)	(33)
Tier 1 capital (end point)[1]	**43,277**	42,946	1	42,123	3	42,006	3
Derivative financial instruments	**69,467**	52,961	31	52,227	33	47,212	47
Derivative cash collateral	**11,759**	8,682	35	9,716	21	9,169	28
Securities financing transactions (SFTs)	**67,570**	68,286	(1)	65,278	4	60,414	12
Loans and advances and other assets	**640,254**	624,500	3	614,364	4	603,603	6
Total on-balance sheet assets	**789,050**	754,429	5	741,585	6	720,398	10
Regulatory consolidation adjustments[2]	**(60,059)**	(51,768)	16	(47,271)	27	(31,485)	91
Derivatives adjustments							–
Derivatives netting	**(44,257)**	(30,799)	44	(29,949)	48	(32,852)	35
Adjustments to cash collateral	**(21,278)**	(17,179)	24	(18,212)	17	(11,853)	80
Net written credit protection	**1,284**	1,724	(26)	1,711	(25)	1,650	(22)
Potential future exposure on derivatives	**42,410**	38,434	10	37,606	13	32,961	29
Total derivatives adjustments	**(21,841)**	(7,820)	179	(8,844)	147	(10,094)	116
Counterparty risk leverage exposure measure for SFTs	**4,969**	6,660	(25)	6,414	(23)	7,005	(29)
Off-balance sheet items	**128,167**	123,628	4	120,725	6	122,341	5
Regulatory deductions from Tier 1 capital	**(5,521)**	(5,829)	(5)	(6,013)	(8)	(6,913)	(20)
UK leverage exposure (end point)	**834,765**	819,300	2	806,596	3	801,252	4
UK leverage ratio (end point)	**5.2%**	5.2%	–	5.2%	–	5.2%	–
UK leverage exposure quarterly average	**837,147**	820,387	2	810,591	3	816,244	3
UK leverage ratio quarterly average	**5.2%**	5.2%	–	5.0%	0.2	5.1%	0.1
Countercyclical leverage ratio buffer	**0.0%**	0.1%	(0.1)	0.0%	–	0.1%	(0.1)
G-SII additional leverage ratio buffer	**0.4%**	0.4%	–	0.4%	–	0.4%	–

1 Tier 1 Capital (end point) is adjusted only for Grandfathered Additional Tier 1 instruments
2 Includes adjustment for qualifying central bank claims
3 Change is the percentage point difference between two periods, rather than percentage change

Financial statements

Consolidated income statement

For the year ended 31 December 2020

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

		cents	cents
Earnings per share:			
Basic earnings per ordinary share	12	10.4	57.0
Diluted earnings per ordinary share	12	10.3	56.4

The notes form an integral part of these financial statements and are available in the Annual Report 2020.

Consolidated statement of comprehensive income

For the year ended 31 December 2020

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

The notes form an integral part of these financial statements and are available in the Annual Report 2020

Consolidated balance sheet

As at 31 December 2020

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

The notes form an integral part of these financial statements and are available in the Annual Report 2020.

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

José Viñals
Chairman

Bill Winters
Group Chief Executive

Andy Halford
Group Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2020

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

1 Includes capital reserve of $5 million, capital redemption reserve of $13 million and merger reserve of $17,111 million
2 Comprises actuarial gain, net of taxation $11 million and nil share from associates and joint ventures ($130 million actuarial loss and $2 milion share of loss from associates and joint ventures for the year ending 31 December 2019)
3 Comprises share capital of shares issued to fulfil discretionary awards $1 million, share capital of shares issued to fulfil employee share save options $1 million (nil for the year ended 31 December 2020) and share premium of shares issued to fulfil employee Sharesave options exercised $23 million (nil for the year ended 31 December 2020)
4 On 1 May 2019, the Group commenced a share buy-back of its ordinary shares of $0.50 each up to a maximum consideration of $1,000 million. Nominal value of share purchases is $58 million for the year ended 31 December 2019 and the total consideration paid was $1,006 million which includes share buyback expenses of $6 million. The total number of shares purchased was 116,103,483 representing 3.51 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account
5 Comprises $10 million disposal of non-controlling interest of Phoon Huat Pte Ltd offset by $4 million withholding tax on capitalisation of revenue reserves for Standard Chartered Bank Ghana Limited
6 Comprises $72 million of non-controlling interest in Mox Bank Limited offset by $17 million disposal of non-controlling interest in Phoon Huat Pte Ltd, Sirat Holdings Limited and Ori Private Limited
7 On 28 February 2020, the Group announced the buy-back programme for a share buy-back of its ordinary shares of $0.50 each. Nominal value of share purchases was $20 million, and the total consideration paid was $242 million. The total number of shares purchased was 40,029,585 representing 1.25 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account. On 31 March 2020, the Group announced that, in response to a request from the Prudential Regulation Authority and as a consequence of the unprecedented challenges facing the world due to the COVID-19 pandemic, its board had decided after careful consideration to withdraw the recommendation to pay a final dividend for 2019 of 20 cents per ordinary share, and to suspend the buy-back programme
8 Includes $69 million related to prior period adjustments to reclass FX movements from translation reserve to retained earnings ($45 million related to FX movements of the hedging instruments for net investment hedges and $24 million related to FX movements for monetary items, which were considered structural positions), and $9 million increase related to revenue reserves of PT Bank Permata Tbk
9 $17 million movement related to non-controlling interest from Mox Bank Limited

The notes form an integral part of these financial statements.

Financial statements continued

Basis of preparation

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

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

Going concern

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

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

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

Other supplementary financial information

Average balance sheets and yields and volume and price variances

Average balance sheets and yields

For the purposes of calculating net interest margin the following adjustments are made:

- Statutory net interest income is adjusted to remove interest expense on amortised cost liabilities used to provide funding to the Financial Markets business
- Financial instruments measured at fair value through profit or loss are classified as non-interest earning
- Premiums on financial guarantees purchased to manage interest earning assets are treated as interest expense

In the Group's view this results in a net interest margin that is more reflective of banking book performance.

The following tables set out the average balances and yields for the Group's assets and liabilities for the periods ended 31 December 2020 and 31 December 2019 under the revised definition of net interest margin. For the purpose of these tables, average balances have been determined on the basis of daily balances, except for certain categories, for which balances have been determined less frequently. The Group does not believe that the information presented in these tables would be significantly different had such balances been determined on a daily basis.

Average assets

	2020				
Average assets	**Average non-interest earning balance $million**	**Average interest earning balance $million**	**Interest income $million**	**Gross yield interest earning balance %**	**Gross yield total balance %**
Cash and balances at central banks	18,185	43,210	113	0.26	0.18
Gross loans and advances to banks	27,684	54,142	801	1.48	0.98
Gross loans and advances to customers	51,322	291,432	8,558	2.94	2.50
Impairment provisions against loans and advances to banks and customers	–	(6,526)	–	–	–
Investment securities	28,313	144,112	2,820	1.96	1.64
Property, plant and equipment and intangible assets	9,787	–	–	–	–
Prepayments, accrued income and other assets	116,263	–	–	–	–
Investment associates and joint ventures	2,122	–	–	–	–
Total average assets	**253,676**	**526,370**	**12,292**	**2.34**	**1.58**

	2019				
Average assets	Average non-interest earning balance $million	Average interest earning balance $million	Interest income $million	Gross yield interest earning balance %	Gross yield total balance %
Cash and balances at central banks	17,544	29,177	329	1.13	0.70
Gross loans and advances to banks	26,639	61,040	1,834	3.00	2.09
Gross loans and advances to customers	49,662	274,970	10,775	3.92	3.32
Impairment provisions against loans and advances to banks and customers	–	(4,786)	–	–	–
Investment securities	29,188	134,355	3,611	2.69	2.21
Property, plant and equipment and intangible assets	11,217	–	–	–	–
Prepayments, accrued income and other assets	84,965	–	–	–	–
Investment associates and joint ventures	2,608	–	–	–	–
Total average assets	221,823	494,756	16,549	3.34	2.31

Other supplementary financial information continued

Average liabilities

Average liabilities	2020 Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid interest bearing balance %	Rate paid total balance %
Deposits by banks	17,899	27,178	237	0.87	0.53
Customer accounts:					
Current accounts and savings deposits	43,729	226,278	1,140	0.50	0.42
Time and other deposits	58,789	154,865	2,531	1.63	1.18
Debt securities in issue	6,883	52,391	836	1.60	1.41
Accruals, deferred income and other liabilities	122,194	1,169	59	5.05	0.05
Subordinated liabilities and other borrowed funds	–	16,170	637	3.94	3.94
Non-controlling interests	319	–	–	–	–
Shareholders' funds	50,377	–	–	–	–
	300,190	478,051	5,440	1.14	0.70
Adjustment for Financial Markets funding costs			(173)		
Financial guarantee fees on interest earning assets			104		
Total average liabilities and shareholders' funds	300,190	478,051	5,371	1.12	0.69

Average liabilities	2019 Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid interest bearing balance %	Rate paid total balance %
Deposits by banks	17,561	27,619	739	2.68	1.64
Customer accounts:					
Current accounts and savings deposits	38,804	183,323	2,114	1.15	0.95
Time and other deposits	59,094	167,904	4,088	2.43	1.80
Debt securities in issue	9,335	49,351	1,120	2.27	1.91
Accruals, deferred income and other liabilities	95,461	1,336	65	4.87	0.07
Subordinated liabilities and other borrowed funds	–	15,062	756	5.02	5.02
Non-controlling interests	293	–	–	–	–
Shareholders' funds	50,215	–	–	–	–
	270,763	444,595	8,882	2.00	1.24
Adjustment for Financial Markets funding costs			(340)		
Total average liabilities and shareholders' funds	270,763	444,595	8,542	1.92	1.19

Other supplementary financial information continued

Volume and price variances

The following table analyses the estimated change in the Group's net interest income attributable to changes in the average volume of interest-earning assets and interest-bearing liabilities, and changes in their respective interest rates for the years presented. Volume and rate variances have been determined based on movements in average balances and average exchange rates over the year and changes in interest rates on average interest-earning assets and average interest-bearing liabilities.

	2020 versus 2019		
	(Decrease)/increase in interest due to:		Net increase/ (decrease) in interest $million
	Volume $million	Rate $million	
Interest earning assets			
Cash and unrestricted balances at central banks	37	(253)	(216)
Loans and advances to banks	(102)	(931)	(1,033)
Loans and advances to customers	442	(2,659)	(2,217)
Investment securities	191	(982)	(791)
Total interest earning assets	568	(4,825)	(4,257)
Interest bearing liabilities			
Subordinated liabilities and other borrowed funds	44	(163)	(119)
Deposits by banks	(4)	(498)	(502)
Customer accounts:			
Current accounts and savings deposits	233	(1,148)	(915)
Time and other deposits	(213)	(1,409)	(1,622)
Debt securities in issue	49	(333)	(284)
Total interest bearing liabilities	109	(3,551)	(3,442)

	2019 versus 2018		
	(Decrease)/increase in interest due to:		Net increase/ (decrease) in interest $million
	Volume $million	Rate $million	
Interest earning assets			
Cash and unrestricted balances at central banks	(40)	5	(35)
Loans and advances to banks	(141)	192	51
Loans and advances to customers	333	404	737
Investment securities	336	310	646
Total interest earning assets	488	911	1,399
Interest bearing liabilities			
Subordinated liabilities and other borrowed funds	(36)	25	(11)
Deposits by banks	(60)	205	145
Customer accounts:			
Current accounts and savings deposits	56	391	447
Time and other deposits	247	502	749
Debt securities in issue	28	104	132
Total interest bearing liabilities	235	1,227	1,462

Other supplementary financial information continued

Five-year summary[1]

	2020 $million	2019 $million	2018 $million	2017 $million	2016 $million
Operating profit before impairment losses and taxation	**4,374**	4,484	3,142	4,008	3,849
Impairment losses on loans and advances and other credit risk provisions	**(2,325)**	(908)	(653)	(1,362)	(2,791)
Other impairment	**(98)**	(136)	(182)	(179)	(612)
Profit before taxation	**1,613**	3,713	2,548	2,415	409
Profit/(loss) attributable to shareholders	**724**	2,303	1,054	1,219	(247)
Loans and advances to banks[2]	**44,347**	53,549	61,414	78,188	72,609
Loans and advances to customers[2]	**281,699**	268,523	256,557	282,288	252,719
Total assets	**789,050**	720,398	688,762	663,501	646,692
Deposits by banks[2]	**30,255**	28,562	29,715	30,945	32,872
Customer accounts[2]	**439,339**	405,357	391,013	370,509	338,185
Shareholders' equity	**45,886**	44,835	45,118	46,505	44,368
Total capital resources[3]	**67,383**	66,868	65,353	68,983	68,181
Information per ordinary share					
Basic earnings/(loss) per share	**10.4c**	57.0c	18.7c	23.5c	(14.5)c
Underlying earnings per share	**36.1c**	75.7c	61.4c	47.2c	3.4c
Dividends per share[4]	**–**	22.0c	17.0c	–	–
Net asset value per share	**1,409.3c**	1,358.3c	1,319.3c	1,366.9c	1,307.8c
Net tangible asset value per share	**1,249.0c**	1,192.5c	1,167.7c	1,214.7c	1,163.9c
Return on assets[5]	**0.1%**	0.3%	0.3%	0.2%	0.0%
Ratios					
Statutory return on ordinary shareholders' equity	**0.8%**	4.2%	1.4%	1.7%	(1.1)%
Statutory return on ordinary shareholders' tangible equity	**0.9%**	4.8%	1.6%	2.0%	(1.2)%
Underlying return on ordinary shareholders' equity	**2.6%**	5.6%	4.6%	3.5%	0.3%
Underlying return on ordinary shareholders' tangible equity	**3.0%**	6.4%	5.1%	3.9%	0.3%
Statutory cost to income ratio (excluding UK Bank Levy)	**68.1%**	68.7%	76.6%	70.7%	69.9%
Statutory cost to income ratio (including UK Bank Levy)	**70.4%**	70.9%	78.8%	72.2%	72.6%
Underlying cost to income ratio (excluding UK Bank levy)	**66.4%**	65.9%	67.7%	69.3%	69.5%
Underlying cost to income ratio (including UK Bank levy)	**68.7%**	68.2%	69.9%	70.8%	72.2%
Capital ratios:					
(CET 1)/ Tier 1 capital[6]	**14.4%**	13.8%	14.2%	13.6%	13.6%
Total capital[6]	**21.2%**	21.2%	21.6%	21.0%	21.3%

1 The amounts for the two financial years ended 2016 to 2017 are presented in line with IAS 39 and, therefore, not on a comparable basis to the current financial year presented in accordance with IFRS 9
2 Excludes amounts held at fair value through profit or loss
3 Shareholders' funds, non-controlling interests and subordinated loan capital
4 Dividend paid during the year per share
5 Represents profit attributable to shareholders divided by the total assets of the Group
6 Unaudited

Shareholder information

Dividend and interest payment dates

Ordinary shares	Final dividend
Results and dividend announced	25 February 2021
Ex-dividend date	4 (UK) 3 (HK) March 2021
Record date for dividend	5 March 2021
Last date to amend currency election instructions for cash dividend	21 April 2021
Dividend payment date	20 May 2021

Preference shares	1st half yearly dividend	2nd half yearly dividend
73/8 per cent non-cumulative irredeemable preference shares of £1 each	1 April 2021	1 October 2021
81/4 per cent non-cumulative irredeemable preference shares of £1 each	1 April 2021	1 October 2021
6.409 per cent non-cumulative redeemable preference shares of $5 each	30 January and 30 April 2021	30 July and 30 October 2021
7.014 per cent non-cumulative redeemable preference shares of $5 each	30 January 2021	30 July 2021

Annual General Meeting

The Annual General Meeting (AGM) will be held on Wednesday 12 May 2021 at 11.00am UK time (6.00pm Hong Kong time). Further details regarding the format, location and business to be transacted at the meeting will be disclosed within the 2021 Notice of AGM.

Details of voting at the Company's AGM and of proxy votes cast can be found on the Company's website at **sc.com/agm**

Interim results

The interim results will be announced to the London Stock Exchange, The Stock Exchange of Hong Kong Limited and put on the Company's website.

Country-by-country reporting

In accordance with the requirements of the Capital Requirements (country-by-country reporting) Regulations 2013, the Group will publish additional country-by-country information in respect of the year ended 31 December 2020, on or before 31 December 2021. We have also published our approach to tax and tax policy.

This information will be available on the Group's website at **sc.com**

ShareCare

ShareCare is available to shareholders on the Company's UK register who have a UK address and bank account. It allows you to hold your Standard Chartered PLC shares in a nominee account. Your shares will be held in electronic form so you will no longer have to worry about keeping your share certificates safe. If you join ShareCare, you will still be invited to attend the Company's AGM and you receive any dividend at the same time as everyone else. ShareCare is free to join and there are no annual fees to pay.

If you would like to receive more information, please visit our website at **sc.com/shareholders** or contact the shareholder helpline on **0370 702 0138.**

Donating shares to ShareGift

Shareholders who have a small number of shares often find it uneconomical to sell them. An alternative is to consider donating them to the charity ShareGift (registered charity 1052686), which collects donations of unwanted shares until there are enough to sell and uses the proceeds to support UK charities. There is no implication for capital gains tax (no gain or loss) when you donate shares to charity, and UK taxpayers may be able to claim income tax relief on the value of their donation.

Further information can be obtained from the Company's registrars or from ShareGift on **020 7930 3737** or from **sharegift.org**

Shareholder information continued

Bankers' Automated Clearing System (BACS)

Dividends can be paid straight into your bank or building society account.

Please register online at **investorcentre.co.uk** or contact our registrar for a mandate form.

Registrars and shareholder enquiries

If you have any enquiries relating to your shareholding and you hold your shares on the UK register, please contact our registrar Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ or call the shareholder helpline number on 0370 702 0138.

If you hold your shares on the Hong Kong branch register and you have enquiries, please contact Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

You can check your shareholding **at computershare.com/hk/investors**

Substantial shareholders

The Company and its shareholders have been granted partial exemption from the disclosure requirements under Part XV of the Securities and Futures Ordinance (SFO). As a result of this exemption, shareholders no longer have an obligation under Part XV of the SFO (other than Divisions 5, 11 and 12 thereof) to notify the Company of substantial shareholding interests, and the Company is no longer required to maintain a register of interests of substantial shareholders under section 336 of the SFO. The Company is, however, required to file with The Stock Exchange of Hong Kong Limited any disclosure of interests made in the UK.

Taxation

Information on taxation applying to dividends paid to you if you are a shareholder in the UK, Hong Kong or the US will be sent to you with your dividend documents. Shareholders and prospective purchasers should consult an appropriate independent professional adviser regarding the tax consequences of an investment in shares in light of their particular circumstances, including the effect of any national, state or local laws.

Previous dividend payments (unadjusted for the impact of the 2015/2010/2008 rights issues)

Dividend and financial year	Payment date	Dividend per ordinary share	Cost of one new ordinary share under share dividend scheme
Final 2008	15 May 2009	42.32c/28.4693p/HK$3.279597	£8.342/$11.7405
Interim 2009	8 October 2009	21.23c/13.25177p/HK$1.645304	£13.876/$22.799
Final 2009	13 May 2010	44.80c/29.54233p/HK$3.478306	£17.351/$26.252
Interim 2010	5 October 2010	23.35c/14.71618p/HK$1.811274/INR0.984124[1]	£17.394/$27.190
Final 2010	11 May 2011	46.65c/28.272513p/HK$3.623404/INR1.9975170[1]	£15.994/$25.649
Interim 2011	7 October 2011	24.75c/15.81958125p/HK$1.928909813/INR1.13797125[1]	£14.127/$23.140
Final 2011	15 May 2012	51.25c/31.63032125p/HK$3.9776083375/INR2.6667015[1]	£15.723/$24.634
Interim 2012	11 October 2012	27.23c/16.799630190p/HK$2.111362463/INR1.349803950[1]	£13.417/$21.041
Final 2012	14 May 2013	56.77c/36.5649893p/HK$4.4048756997/INR2.976283575[1]	£17.40/$26.28792
Interim 2013	17 October 2013	28.80c/17.8880256p/HK$2.233204992/INR1.6813[1]	£15.362/$24.07379
Final 2013	14 May 2014	57.20c/33.9211444p/HK$4.43464736/INR3.354626[1]	£11.949/$19.815
Interim 2014	20 October 2014	28.80c/17.891107200p/HK$2.2340016000/INR1.671842560[1]	£12.151/$20.207
Final 2014	14 May 2015	57.20c/37.16485p/HK$4.43329/INR3.514059[1]	£9.797/$14.374
Interim 2015	19 October 2015	14.40c/9.3979152p/HK$1.115985456/INR0.86139372[1]	£8.5226/$13.34383
Final 2015	No dividend declared	N/A	N/A
Interim 2016	No dividend declared	N/A	N/A
Final 2016	No dividend declared	N/A	N/A
Interim 2017	No dividend declared	N/A	N/A
Final 2017	17 May 2018	11.00c/7.88046p/HK$0.86293/INR0.653643340[1]	£7.7600/$10.83451
Interim 2018	22 October 2018	6.00c/4.59747p/HK$0.46978/INR0.3696175[1]	£6.7104/$8.51952
Final 2018	16 May 2019	15.00c/11.569905p/HK$1.176260/INR0.957691650[1]	N/A
Interim 2019	21 October 2019	7.00c/5.676776p/HK$0.548723/INR0.425028600[1]	N/A
Final 2019	Dividend withdrawn	N/A	N/A
Interim 2020	No dividend declared	N/A	N/A

1 The INR dividend is per Indian Depository Receipt

Shareholder information continued

Chinese translation

If you would like a Chinese version of the 2020 Annual Report please contact Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

二〇二〇年年報之中文譯本可向香港中央證券登記有限公司索取，地址：香港灣仔皇后大道東183號合和中心17M樓。

Shareholders on the Hong Kong branch register who have asked to receive corporate communications in either Chinese or English can change this election by contacting Computershare.

If there is a dispute between any translation and the English version of this Annual Report, the English text shall prevail.

Electronic communications

If you hold your shares on the UK register and in future you would like to receive the Annual Report electronically rather than by post, please register online at: investorcentre.co.uk. Then click on 'register' and follow the instructions. You will need to have your Shareholder or ShareCare reference number when you log on. You can find this on your share certificate or ShareCare statement. Once registered you can also submit your proxy vote and dividend election electronically and change your bank mandate or address information.

Shareholder information continued

CONTACT INFORMATION

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ShareGift information
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helpline: +44 (0)20 7930 3737

Registrar information

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Hong Kong

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website: computershare.com/hk/investors

Chinese translation

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For further information, please contact:

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HKSE Stock code: 02888