



Standard Chartered Bank
(Hong Kong) Limited

Condensed Consolidated
Interim Financial Statements (unaudited)

For the period ended
30 June 2021

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The directors are pleased to announce the unaudited consolidated interim results of Standard Chartered Bank (Hong Kong) Limited (the “Bank”) and its subsidiaries (together referred to as the “Group”) for the six months ended 30 June 2021.

2021 First Half Results

Profit before taxation increased by HK\$1,244 million from HK\$7,938 million to HK\$9,182 million. Net interest income decreased by 7 per cent to HK\$11,402 million. Net fee and commission income increased by 29 per cent over the corresponding period in 2020. Total operating income increased by 1 per cent to HK\$24,300 million.

Operating expenses increased by 15 per cent over the corresponding period to HK\$15,821 million. Total impairments decreased by HK\$2,484 million over the corresponding period.

Profit after taxation was HK\$7,415 million, an increase of HK\$1,212 million over HK\$6,203 million recorded in the first half of 2020.

Condensed consolidated income statement (unaudited)**For the period ended 30 June 2021***(Expressed in millions of Hong Kong dollars)*

	Note	6 months ended 30 June 2021	6 months ended 30 June 2020
Interest income	3	16,005	20,157
Interest expense	4	(4,603)	(7,867)
Net interest income		<u>11,402</u>	<u>12,290</u>
Fee and commission income		6,774	5,444
Fee and commission expense		(1,194)	(1,108)
Net fee and commission income	5	5,580	4,336
Net trading income	6	4,749	4,858
Other operating income	7	2,569	2,528
		<u>12,898</u>	<u>11,722</u>
Total operating income		24,300	24,012
Staff costs		(7,314)	(6,708)
Premises and equipment		(2,299)	(2,140)
Others		(6,208)	(4,964)
Operating expenses	8	<u>(15,821)</u>	<u>(13,812)</u>
Operating profit before impairment		8,479	10,200
Credit impairment	9	(220)	(2,118)
Other impairment	10	(129)	(715)
Operating profit after impairment		8,130	7,367
Share of profit of an associate		1,052	571
Profit before taxation		9,182	7,938
Taxation	11	(1,767)	(1,735)
Profit after taxation		<u>7,415</u>	<u>6,203</u>
Profit/(loss) attributable to:			
– Non-controlling interests		(117)	(60)
– Equity shareholders of the Bank		7,532	6,263
Profit after taxation		<u>7,415</u>	<u>6,203</u>

The notes on pages 7 to 36 form part of these condensed consolidated interim financial statements.

Condensed consolidated statement of comprehensive income (unaudited)**For the period ended 30 June 2021***(Expressed in millions of Hong Kong dollars)*

	<i>6 months ended 30 June 2021</i>	<i>6 months ended 30 June 2020</i>
Profit after taxation	7,415	6,203
Other comprehensive income:		
<u>Items that will not be reclassified to the income statement:</u>		
Own credit adjustment:		
– Changes in own credit adjustment on financial liabilities designated at fair value through profit or loss	(22)	113
– Related tax effect	4	(15)
Defined benefit plans:		
– Remeasurement of net defined benefit obligations	332	(201)
– Related tax effect	(62)	35
Equity securities at fair value through other comprehensive income (“FVOCI”):		
– Changes in fair value recognised during the period	732	(52)
<u>Items that may be reclassified subsequently to the income statement:</u>		
Debt securities at fair value through other comprehensive income:		
– Changes in fair value recognised during the period	(1,581)	3,237
– Changes in fair value transferred to the income statement on disposal	(525)	(521)
– Transfer to the income statement on fair value hedged items attributable to hedged risk	1,429	(1,695)
– Expected credit loss	(3)	8
– Share of impact from an associate	18	29
– Related tax effect	116	(120)
Cash flow hedges:		
– Changes in fair value recognised during the period	314	(604)
– Transferred to the income statement on termination of hedging derivatives	28	25
– Related tax effect	(56)	95
Exchange difference	(78)	(1,433)
Other comprehensive income for the period, net of tax	646	(1,099)
Total comprehensive income	8,061	5,104
Total comprehensive income attributable to:		
– Non-controlling interests	(117)	(60)
– Equity shareholders of the Bank	8,178	5,164
Total comprehensive income	8,061	5,104

The notes on pages 7 to 36 form part of these condensed consolidated interim financial statements.

Condensed consolidated statement of financial position as at 30 June 2021 (unaudited)*(Expressed in millions of Hong Kong dollars)*

	Note	At 30 June 2021	At 31 December 2020
Assets			
Cash and balances at central banks		110,794	66,640
Loans and advances to banks	13	132,179	129,316
Hong Kong SAR Government certificates of indebtedness		56,471	56,561
Financial assets at fair value through profit or loss	14	207,591	245,239
Investment securities	15	455,734	521,269
Loans and advances to customers	16	1,181,208	1,091,656
Amounts due from fellow subsidiaries		174,146	206,675
Interest in an associate		16,624	15,705
Property, plant and equipment	18	36,124	39,600
Goodwill and intangible assets		9,537	8,818
Deferred tax assets		1,317	2,061
Other assets	19	67,363	73,249
		<u>2,449,088</u>	<u>2,456,789</u>
Liabilities			
Hong Kong SAR currency notes in circulation		56,471	56,561
Deposits by banks		55,247	54,387
Customer accounts	21	1,726,489	1,736,729
Financial liabilities at fair value through profit or loss	22	115,522	148,226
Debt securities in issue	23	45,409	42,415
Amounts due to immediate holding company		49,696	41,750
Amounts due to fellow subsidiaries		92,502	102,748
Current tax liabilities		442	2,505
Deferred tax liabilities		926	897
Other liabilities	24	118,597	90,572
		<u>2,261,301</u>	<u>2,276,790</u>
Equity			
Share capital		65,025	65,025
Reserves		105,540	97,799
		<u>170,565</u>	<u>162,824</u>
Shareholders' equity		170,565	162,824
Other equity instruments	25	16,733	16,733
Non-controlling interests		489	442
		<u>187,787</u>	<u>179,999</u>
		<u>2,449,088</u>	<u>2,456,789</u>

The notes on pages 7 to 36 form part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity (unaudited)**For the period ended 30 June 2021***(Expressed in millions of Hong Kong dollars)*

	Share capital HK\$'M	Own credit adjustment reserve HK\$'M	Cash flow hedge reserve HK\$'M	FVOCI reserve - Debt HK\$'M	FVOCI reserve - Equity HK\$'M	Exchange reserve HK\$'M	Other reserves HK\$'M	Retained profits HK\$'M	Sub-total HK\$'M	Other equity instruments HK\$'M	Non- controlling interests HK\$'M	Total HK\$'M
At 1 January 2020	65,025	(92)	(371)	779	264	(9,877)	9,175	91,682	156,585	8,983	436	166,004
Issuance of other equity instruments ¹	-	-	-	-	-	-	-	-	-	7,750	-	7,750
Total comprehensive income, net of taxation	-	98	(484)	939	(53)	(1,433)	-	6,097	5,164	-	(60)	5,104
Dividend paid ²	-	-	-	-	-	-	-	(399)	(399)	-	-	(399)
Movement in respect of share-based compensation plans	-	-	-	-	-	-	-	(77)	(77)	-	-	(77)
Transfer from retained earnings	-	-	-	-	-	-	839	(839)	-	-	-	-
At 30 June 2020	65,025	6	(855)	1,718	211	(11,310)	10,014	96,464	161,273	16,733	376	178,382
Redemption of preference shares ³	-	-	-	-	-	-	-	(3,880)	(3,880)	-	-	(3,880)
Total comprehensive income, net of taxation	-	(61)	499	(495)	(22)	5,465	-	4,406	9,792	-	(98)	9,694
Dividend paid ²	-	-	-	-	-	-	-	(4,446)	(4,446)	-	-	(4,446)
Movement in respect of share-based compensation plans	-	-	-	-	-	-	-	85	85	-	-	85
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	164	164
Transfer from retained earnings	-	-	-	-	-	-	924	(924)	-	-	-	-
At 31 December 2020	65,025	(55)	(356)	1,223	189	(5,845)	10,938	91,705	162,824	16,733	442	179,999
Total comprehensive income, net of taxation	-	(18)	286	(546)	732	(78)	-	7,802	8,178	-	(117)	8,061
Dividend paid ²	-	-	-	-	-	-	-	(486)	(486)	-	-	(486)
Movement in respect of share-based compensation plans	-	-	-	-	-	-	-	49	49	-	-	49
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	164	164
Transfer from retained earnings	-	-	-	-	-	-	893	(893)	-	-	-	-
At 30 June 2021	65,025	(73)	(70)	677	921	(5,923)	11,831	98,177	170,565	16,733	489	187,787

¹ During the year ended 31 December 2020, the Bank issued fixed rate undated Additional Tier 1 capital securities with a face value of US\$1,000 million.

² During the six months ended 30 June 2021, there were no dividends declared and paid in respect of Class A, B, C and D ordinary shares (year ended 31 December 2020: HK\$0.77 per share totalling HK\$4,093 million). Dividends of HK\$166 million (year ended 31 December 2020: HK\$411 million), HK\$271 million (year ended 31 December 2020: HK\$nil), HK\$nil (year ended 31 December 2020: HK\$242 million) and HK\$49 million (year ended 31 December 2020: HK\$99 million) were paid in respect of the US\$900 million floating rate undated Additional Tier 1 Capital Securities, the US\$1,000 million fixed rate undated Additional Tier 1 Capital Securities, the US\$500 million 6.25% perpetual non-cumulative convertible preference shares and the US\$250 million 5% perpetual non-cumulative subordinated capital securities classified as equity, respectively.

³ During the year ended 31 December 2020, the Bank redeemed the US\$500 million 6.25% perpetual non-cumulative convertible preference shares at a total consideration of HK\$3,880 million out of its distributable profits.

The notes on pages 7 to 36 form part of these condensed consolidated interim financial statements.

Condensed consolidated cash flow statement (unaudited)**For the period ended 30 June 2021***(Expressed in millions of Hong Kong dollars)*

	<i>For 6 months ended 30 June 2021 HK\$'M</i>	<i>For 6 months ended 30 June 2020 HK\$'M</i>
Operating activities		
Profit before taxation	9,182	7,938
Adjustments for non-cash items and other adjustments included within income statement	1,975	5,530
Change in operating assets	28,827	(72,787)
Change in operating liabilities	(15,058)	85,689
Income tax paid	(3,043)	(1,966)
Net cash generated from operating activities	<u>21,883</u>	<u>24,404</u>
Investing activities		
Payment for purchase of property, plant and equipment	(226)	(7,539)
Payment for purchase of intangible assets	(1,271)	(880)
Proceeds from disposal of property, plant and equipment	2,451	712
Net cash generated from/(used in) in investing activities	<u>954</u>	<u>(7,707)</u>
Financing activities		
Issuance of other equity instrument	–	7,750
Issuance of subordinated liabilities	20,882	1,081
Contribution from non-controlling interest	164	–
Dividend paid to shareholders of the Bank	(486)	(399)
Payment of lease liabilities	(725)	(585)
Interest paid on subordinated liabilities	(507)	(647)
Payment for redemption of subordinated liabilities	(12,404)	(5,914)
Net cash generated from financing activities	<u>6,924</u>	<u>1,286</u>
Net increase in cash and cash equivalents	29,761	17,983
Cash and cash equivalents at 1 January	204,162	180,538
Effect of foreign exchange	(390)	(2,647)
Cash and cash equivalents at 30 June	<u>233,533</u>	<u>195,874</u>

The notes on pages 7 to 36 form part of these condensed consolidated interim financial statements.

Notes to condensed consolidated interim financial statements (unaudited)

(Expressed in millions of Hong Kong dollars)

1. Principal activities

Standard Chartered Bank (Hong Kong) Limited (the “Bank”) is a licensed bank registered under the Hong Kong Banking Ordinance. The principal activities of the Bank and its subsidiaries (together referred to as the “Group”) are the provision of banking and related financial services.

2. Significant accounting policies

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and International Accounting Standard (“IAS”) 34 Interim Financial Reporting, issued by the International Accounting Standards Board (“IASB”).

The preparation of the condensed consolidated interim financial statements in conformity with HKAS 34/IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial statements, the significant judgement made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 December 2020.

The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and International Financial Reporting Standards (“IFRSs”).

The condensed consolidated interim financial statements are unaudited.

(b) Basis of preparation

The accounting policies applied in preparing these condensed consolidated interim financial statements are materially consistent with those applied in preparing the consolidated financial statements for the year ended 31 December 2020. None of the other revised accounting standards, which became effective from 1 January 2021, have a material impact on the condensed consolidated interim financial statements.

(c) Basis of consolidation

The Group had subordinated and senior debt in issue which are traded in various stock exchanges. Consequently, the Group is required to prepare consolidated financial statements in accordance with HKFRS 10/IFRS 10 “Consolidated Financial Statements”.

These condensed consolidated interim financial statements cover the consolidated positions of the Group unless otherwise stated, and include the attributable share of the results and reserves of its associate.

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***3. Interest income**

	<i>6 months ended 30 June 2021 HK\$'M</i>	<i>6 months ended 30 June 2020 HK\$'M</i>
Interest income arising from financial assets:		
– at amortised cost	13,901	16,970
– at fair value through other comprehensive income	2,104	3,187
	<u>16,005</u>	<u>20,157</u>

4. Interest expense

	<i>6 months ended 30 June 2021 HK\$'M</i>	<i>6 months ended 30 June 2020 HK\$'M</i>
Interest expense arising from financial liabilities at amortised cost	4,536	7,781
Interest expense on lease liabilities	67	86
	<u>4,603</u>	<u>7,867</u>

5. Net fee and commission income

Net fee and commission income in the condensed consolidated income statement includes the following:

	<i>6 months ended 30 June 2021 HK\$'M</i>	<i>6 months ended 30 June 2020 HK\$'M</i>
Net fee and commission income arising from financial assets or financial liabilities that are not at fair value through profit or loss (other than amounts included in determining the effective interest rate):		
– fee and commission income	1,340	850
– fee and commission expense	300	149
	<u>1,040</u>	<u>701</u>
Net fee and commission income from trust and other fiduciary activities that result in the holding or investing of assets on behalf of its customers:		
– fee and commission income	1,018	419
– fee and commission expense	262	126
	<u>756</u>	<u>293</u>

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***6. Net trading income**

	<i>6 months ended 30 June 2021 HK\$'M</i>	<i>6 months ended 30 June 2020 HK\$'M</i>
Net gains on instruments held for trading	4,708	4,862
Net gains on non-trading financial assets mandatorily at fair value through profit or loss	148	179
Net losses on financial instruments designated at fair value through profit or loss	(107)	(183)
	<u>4,749</u>	<u>4,858</u>

7. Other operating income

	<i>6 months ended 30 June 2021 HK\$'M</i>	<i>6 months ended 30 June 2020 HK\$'M</i>
Rental income from operating lease assets	1,669	1,763
Dividend income from financial assets at fair value through other comprehensive income	5	7
Net gains from disposal of debt securities at fair value through other comprehensive income	524	521
Net gains on disposal and write-off of fixed assets	245	168
Net (losses)/gains on disposal of financial instruments measured at amortised cost	(1)	21
Net losses on revaluation of investment properties (note 18)	(1)	(29)
Others	128	77
	<u>2,569</u>	<u>2,528</u>

8. Operating expenses

	<i>6 months ended 30 June 2021 HK\$'M</i>	<i>6 months ended 30 June 2020 HK\$'M</i>
Staff costs		
– contributions to defined contribution plans	309	227
– expense in respect of the defined benefits plan	140	135
– net share-based payment expenses/(releases)	76	(44)
– salaries and other staff costs	6,789	6,390
Depreciation (note 18)	1,695	1,660
Premises and equipment expense, excluding depreciation	604	480
Amortisation of other intangible assets	428	328
Auditor's remuneration	35	28
Others	5,745	4,608
	<u>15,821</u>	<u>13,812</u>

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***9. Credit impairment**

	<i>6 months ended 30 June 2021 HK\$'M</i>	<i>6 months ended 30 June 2020 HK\$'M</i>
Net expected credit loss charges/(releases) on:		
– loans and advances to banks	(9)	(7)
– loans and advances to customers	293	1,902
– debt securities at amortised cost	6	(1)
– debt securities at fair value through other comprehensive income	(3)	8
– loan commitments and financial guarantees	(67)	216
	<u>220</u>	<u>2,118</u>

10. Other impairment

	<i>6 months ended 30 June 2021 HK\$'M</i>	<i>6 months ended 30 June 2020 HK\$'M</i>
Charges for property, plant and equipment (note 18)	128	106
Charges for asset held for sale	–	601
Others	1	8
	<u>129</u>	<u>715</u>

11. Taxation

	<i>6 months ended 30 June 2021 HK\$'M</i>	<i>6 months ended 30 June 2020 HK\$'M</i>
Hong Kong profits tax	581	918
Overseas taxation	425	275
Deferred taxation	761	542
	<u>1,767</u>	<u>1,735</u>

Notes to condensed consolidated interim financial statements (unaudited) (continued)

(Expressed in millions of Hong Kong dollars)

12 Segmental reporting

The Group's segmental reporting is prepared in accordance with HKFRS/IFRS 8 Operating Segments and is reported consistently with the internal performance framework and as presented to the Group's Management Team. This includes a client segments view and a geographical segments view.

Client segments

Following the Group's change in organisational structure, the composition of the reportable segments has been amended to reflect this new structure. The change requires comparative periods to be restated.

As such, there are two new reportable business segments;

- Corporate & Institutional Banking and Commercial Banking have been combined to form Corporate, Commercial & Institutional Banking, serving larger companies and institutions.
- Retail and Private Banking have been combined to form Consumer, Private & Business Banking serving individual and business banking clients.

Activities not directly related to a client segment are included in Central & Other items. These mainly include Corporate Centre costs, treasury activities, and certain strategic investments.

Geographical segments

The Group comprises four geographical segments, Hong Kong, Mainland China, Taiwan and Korea. Geographical segment is classified by the location of the principal operations of the subsidiary.

(a) Segment results, assets and liabilities

Revenue and expenses are allocated to the reportable segments with reference to income generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***12. Segmental reporting (continued)****(a) Segment results, assets and liabilities (continued)***Client Segments*

6 months ended 30 June 2021	<i>Corporate, Commercial & Institutional Banking HK\$'M</i>	<i>Consumer, Private & Business Banking HK\$'M</i>	<i>Central & Other Items HK\$'M</i>	<i>Consolidated Total HK\$'M</i>
<i>Operating income</i>				
– Net interest income	3,895	6,777	658	11,330
– Other operating income	7,111	6,169	579	13,859
	11,006	12,946	1,237	25,189
Operating expenses ¹	(5,785)	(8,646)	(269)	(14,700)
Operating profit before impairment	5,221	4,300	968	10,489
Impairment charges	(322)	(207)	6	(523)
Share of profit of an associate	–	–	1,052	1,052
Profit before taxation	4,899	4,093	2,026	11,018
At 30 June 2021				
Segment assets	890,807	708,661	731,024	2,330,492
Segment liabilities	1,085,097	897,993	164,449	2,147,539

Geographical Segments

6 months ended 30 June 2021	<i>Hong Kong HK\$'M</i>	<i>Mainland China HK\$'M</i>	<i>Taiwan HK\$'M</i>	<i>Korea HK\$'M</i>	<i>Consolidated Total HK\$'M</i>
<i>Operating income</i>					
– Net interest income	5,471	2,368	668	2,823	11,330
– Other operating income	8,823	2,045	1,310	1,681	13,859
	14,294	4,413	1,978	4,504	25,189
Operating expenses	(7,527)	(2,825)	(1,343)	(3,005)	(14,700)
Operating profit before impairment	6,767	1,588	635	1,499	10,489
Impairment charges	(452)	(188)	53	64	(523)
Share of profit of an associate	–	1,052	–	–	1,052
Profit before taxation	6,315	2,452	688	1,563	11,018
At 30 June 2021					
Segment assets	1,331,757	308,596	173,899	516,240	2,330,492
Segment liabilities	1,264,544	269,151	169,592	444,252	2,147,539

Notes to condensed consolidated interim financial statements (unaudited) (continued)

(Expressed in millions of Hong Kong dollars)

12. Segmental reporting (continued)**(a) Segment results, assets and liabilities (continued)***Client Segments*

6 months ended 30 June 2020 (restated)	<i>Corporate, Commercial & Institutional Banking HK\$'M</i>	<i>Consumer, Private & Business Banking HK\$'M</i>	<i>Central & Other Items HK\$'M</i>	<i>Consolidated Total HK\$'M</i>
<i>Operating income</i>				
– Net interest income	4,628	7,808	(867)	11,569
– Other operating income	6,593	5,041	857	12,491
	11,221	12,849	(10)	24,060
Operating expenses ¹	(5,261)	(8,202)	(174)	(13,637)
Operating profit before impairment	5,960	4,647	(184)	10,423
Impairment charges	(1,295)	(1,021)	(13)	(2,329)
Share of profit of an associate	–	–	571	571
Profit before taxation	4,665	3,626	374	8,665
At 31 December 2020 (restated)				
Segment assets	867,834	685,430	774,448	2,327,712
Segment liabilities	1,128,509	899,058	150,323	2,177,890

Geographical Segments

6 months ended 30 June 2020 (restated)	<i>Hong Kong HK\$'M</i>	<i>Mainland China HK\$'M</i>	<i>Taiwan HK\$'M</i>	<i>Korea HK\$'M</i>	<i>Consolidated Total HK\$'M</i>
<i>Operating income</i>					
– Net interest income	6,594	2,057	552	2,366	11,569
– Other operating income	7,568	1,625	1,399	1,899	12,491
	14,162	3,682	1,951	4,265	24,060
Operating expenses	(7,348)	(2,399)	(1,227)	(2,663)	(13,637)
Operating profit before impairment	6,814	1,283	724	1,602	10,423
Impairment charges	(1,383)	(791)	(20)	(135)	(2,329)
Share of profit of an associate	–	571	–	–	571
Profit before taxation	5,431	1,063	704	1,467	8,665
At 31 December 2020 (restated)					
Segment assets	1,286,964	324,315	179,762	536,671	2,327,712
Segment liabilities	1,246,725	284,662	178,722	467,781	2,177,890

¹ Operating expenses in Corporate Commercial & Institutional Banking segment included depreciation charges of HK\$738 million (30 June 2020: HK\$709 million) for commercial aircraft leased to customers under operating leases.

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***12. Segmental reporting (continued)****(b) Reconciliation of reportable segment operating income, profit before taxation, assets and liabilities**

	<i>6 months ended 30 June 2021 HK\$'M</i>	<i>6 months ended 30 June 2020 HK\$'M</i>
Operating income		
Reportable segment revenue	25,189	24,060
Income relating to wealth management products	(671)	(590)
Cost of free funds	499	1,036
Others	(717)	(494)
	<hr/>	<hr/>
Total operating income	<u>24,300</u>	<u>24,012</u>
	<i>6 months ended 30 June 2021 HK\$'M</i>	<i>6 months ended 30 June 2020 HK\$'M</i>
Profit before taxation		
Reportable segment profit before taxation	11,018	8,665
Income relating to wealth management products	(671)	(590)
Cost of free funds	499	1,036
Reallocation of impairment charges	(599)	(408)
Others	(1,065)	(765)
	<hr/>	<hr/>
Profit before taxation	<u>9,182</u>	<u>7,938</u>
	<i>At 30 June 2021 HK\$'M</i>	<i>At 31 December 2020 HK\$'M</i>
Assets		
Reportable segment assets	2,330,492	2,327,712
Assets of group companies not included in consolidated total assets	(6,768)	(7,409)
Amounts due from fellow subsidiaries	206,628	264,898
Others	(81,264)	(128,412)
	<hr/>	<hr/>
Total assets	<u>2,449,088</u>	<u>2,456,789</u>

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***12. Segmental reporting (continued)****(b) Reconciliation of reportable segment operating income, profit before taxation, assets and liabilities (continued)**

	<i>At 30 June 2021 HK\$'M</i>	<i>At 31 December 2020 HK\$'M</i>
Liabilities		
Reportable segment liabilities	2,147,539	2,177,890
Liabilities of group companies not included in consolidated total liabilities	(1,000)	(1,241)
Amounts due to immediate holding company and fellow subsidiaries	143,699	157,761
Others	(28,937)	(57,620)
	<u>2,261,301</u>	<u>2,276,790</u>
Total liabilities	<u>2,261,301</u>	<u>2,276,790</u>

Income and profit before taxation recognised in the condensed consolidated interim financial statements represent an arm's length compensation for the services provided and risks borne. For internal management reporting purposes, income and profit before taxation are allocated on a global perspective. In addition, for internal management reporting purposes, a charge is allocated to reportable segments for the use of interest-free funds.

Reportable segment assets and liabilities include assets and liabilities which are not booked on the condensed consolidated statement of financial position but which contribute to the reportable segment's income and profit before taxation.

13. Loans and advances to banks

	<i>At 30 June 2021 HK\$'M</i>	<i>At 31 December 2020 HK\$'M</i>
Loans and advances to banks		
– maturing within one month	88,220	64,639
– maturing between one month and one year	42,161	51,392
– maturing between one year to five years	1,815	13,311
	<u>132,196</u>	<u>129,342</u>
Less: Expected credit loss provision (note 17)	(17)	(26)
	<u>132,179</u>	<u>129,316</u>

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***15. Investment securities**

	At 30 June 2021 HK\$'M	At 31 December 2020 HK\$'M
At fair value through other comprehensive income:		
Debt securities:		
– Treasury bills	75,226	80,148
– Certificates of deposit held	51,258	71,210
– Other debt securities	273,187	329,836
	<u>399,671</u>	<u>481,194</u>
Equity shares	<u>1,777</u>	<u>978</u>
	<u>401,448</u>	<u>482,172</u>
At amortised cost:		
– Treasury bills	1,379	1,213
– Other debt securities	52,930	37,901
Less: Expected credit loss provision (note 17)	<u>(23)</u>	<u>(17)</u>
	<u>54,286</u>	<u>39,097</u>
	<u>455,734</u>	<u>521,269</u>

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***16. Loans and advances to customers**

	At 30 June 2021 HK\$'M	At 31 December 2020 HK\$'M
(a) Loans and advances to customers		
Gross loans and advances to customers	1,184,190	1,094,573
Trade bills	2,036	2,634
	<u>1,186,226</u>	<u>1,097,207</u>
Less: Expected credit loss provision (note 17)	(5,018)	(5,551)
	<u>1,181,208</u>	<u>1,091,656</u>
(b) Impaired loans and advances to customers		
Gross impaired loans and advances to customers	6,461	7,327
Less: Stage 3 expected credit loss provision (note 17)	(2,876)	(3,050)
	<u>3,585</u>	<u>4,277</u>
Gross impaired loans and advances to customers as a % of gross loans and advances to customers	<u>0.54%</u>	<u>0.67%</u>
Fair value of collateral held against the covered portion of impaired loans and advance to customers	3,166	3,189
Covered portion of impaired loans and advances to customers	2,089	2,239
Uncovered portion of impaired loans and advances to customers	<u>4,372</u>	<u>5,088</u>

The covered portion of impaired loans and advances to customers represents the amount of collateral held against outstanding balances. It does not include any collateral held over and above outstanding exposures.

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***17. Analysis of expected credit loss provisions on financial instruments by stage**

	<i>At 30 June 2021</i>			<i>Total HK\$'M</i>
	<i>Stage 1 HK\$'M</i>	<i>Stage 2 HK\$'M</i>	<i>Stage 3 HK\$'M</i>	
Expected credit loss provision on:				
– Loans and advances to banks (note 13)	17	–	–	17
– Loans and advances to customers (note 16)	1,388	754	2,876	5,018
– Debt securities at amortised cost (note 15)	23	–	–	23
– Debt securities at fair value through other comprehensive income ¹	26	–	–	26
– Other assets	–	–	2	2
– Loan commitments and financial guarantees (note 24)	125	90	–	215
	<u>1,579</u>	<u>844</u>	<u>2,878</u>	<u>5,301</u>
	<i>At 31 December 2020</i>			<i>Total HK\$'M</i>
	<i>Stage 1 HK\$'M</i>	<i>Stage 2 HK\$'M</i>	<i>Stage 3 HK\$'M</i>	
Expected credit loss provision on:				
– Loans and advances to banks (note 13)	26	–	–	26
– Loans and advances to customers (note 16)	1,577	924	3,050	5,551
– Debt securities at amortised cost (note 15)	16	1	–	17
– Debt securities at fair value through other comprehensive income ¹	29	–	–	29
– Other assets	6	–	2	8
– Loan commitments and financial guarantees (note 24)	151	131	4	286
	<u>1,805</u>	<u>1,056</u>	<u>3,056</u>	<u>5,917</u>

¹ These instruments are held at fair value on the statement of financial position. The corresponding expected credit loss provision is held within FVOCI reserve – Debt.

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***18. Property, plant and equipment**

	<i>Buildings and leasehold land held for own use HK\$'M</i>	<i>Equipment, furniture & fixtures HK\$'M</i>	<i>Operating lease assets as lessor HK\$'M</i>	<i>Operating lease assets as lessee HK\$'M</i>	<i>Investment properties HK\$'M</i>	<i>Total HK\$'M</i>
Cost or valuation:						
At 1 January 2021	9,082	3,475	34,651	5,718	597	53,523
Additions	155	71	–	1,666	–	1,892
Transfer to assets held for sale	–	–	(1,393)	–	–	(1,393)
Disposals and write-offs	(192)	(35)	(2,454)	(86)	–	(2,767)
Reclassification	(27)	27	–	–	–	–
Fair value adjustment (note 7)	–	–	–	–	(1)	(1)
Exchange adjustments	(134)	12	52	28	–	(42)
	<u>8,884</u>	<u>3,550</u>	<u>30,856</u>	<u>7,326</u>	<u>596</u>	<u>51,212</u>
At 30 June 2021	<u>8,884</u>	<u>3,550</u>	<u>30,856</u>	<u>7,326</u>	<u>596</u>	<u>51,212</u>
Representing:						
Cost	8,884	3,550	30,856	7,326	–	50,616
Valuation	–	–	–	–	596	596
	<u>8,884</u>	<u>3,550</u>	<u>30,856</u>	<u>7,326</u>	<u>596</u>	<u>51,212</u>
Accumulated depreciation and impairment:						
At 1 January 2021	2,787	2,604	6,240	2,292	–	13,923
Charge for the period (note 8)	104	163	738	690	–	1,695
Impairment (note 10)	1	–	114	13	–	128
Attributable to transfer to assets held for sale	–	–	(202)	–	–	(202)
Attributable to assets sold or written off	(42)	(35)	(398)	(21)	–	(496)
Exchange adjustments	(31)	16	12	43	–	40
	<u>2,819</u>	<u>2,748</u>	<u>6,504</u>	<u>3,017</u>	<u>–</u>	<u>15,088</u>
At 30 June 2021	<u>2,819</u>	<u>2,748</u>	<u>6,504</u>	<u>3,017</u>	<u>–</u>	<u>15,088</u>
Net book value:						
At 30 June 2021	<u>6,065</u>	<u>802</u>	<u>24,352</u>	<u>4,309</u>	<u>596</u>	<u>36,124</u>

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***18. Property, plant and equipment (continued)**

	<i>Buildings and leasehold land held for own use HK\$'M</i>	<i>Equipment, furniture & fixtures HK\$'M</i>	<i>Operating lease assets as lessor HK\$'M</i>	<i>Operating lease assets as lessee HK\$'M</i>	<i>Investment properties HK\$'M</i>	<i>Total HK\$'M</i>
Cost or valuation:						
At 1 January 2020	8,987	3,205	28,070	5,182	734	46,178
Additions	138	238	7,381	769	–	8,526
Disposals and write-offs	(269)	(236)	(674)	(364)	–	(1,543)
Reclassification	(125)	125	–	–	–	–
Fair value adjustment	–	–	–	–	(137)	(137)
Exchange adjustments	351	143	(126)	131	–	499
	<u>9,082</u>	<u>3,475</u>	<u>34,651</u>	<u>5,718</u>	<u>597</u>	<u>53,523</u>
At 31 December 2020	<u>9,082</u>	<u>3,475</u>	<u>34,651</u>	<u>5,718</u>	<u>597</u>	<u>53,523</u>
Representing:						
Cost	9,082	3,475	34,651	5,718	–	52,926
Valuation	–	–	–	–	597	597
	<u>9,082</u>	<u>3,475</u>	<u>34,651</u>	<u>5,718</u>	<u>597</u>	<u>53,523</u>
Accumulated depreciation and impairment:						
At 1 January 2020	2,553	2,392	4,402	1,180	–	10,527
Charge for the period	203	323	1,523	1,344	–	3,393
Impairment	–	–	411	–	–	411
Attributable to assets sold or written off	(60)	(236)	(76)	(266)	–	(638)
Exchange adjustments	91	125	(20)	34	–	230
	<u>2,787</u>	<u>2,604</u>	<u>6,240</u>	<u>2,292</u>	<u>–</u>	<u>13,923</u>
At 31 December 2020	<u>2,787</u>	<u>2,604</u>	<u>6,240</u>	<u>2,292</u>	<u>–</u>	<u>13,923</u>
Net book value:						
At 31 December 2020	<u>6,295</u>	<u>871</u>	<u>28,411</u>	<u>3,426</u>	<u>597</u>	<u>39,600</u>

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***19. Other assets**

	<i>At 30 June 2021 HK\$'M</i>	<i>At 31 December 2020 HK\$'M</i>
Prepayments and accrued income	6,575	5,977
Sundry debtors	6,079	4,976
Acceptances and endorsements	13,367	13,811
Unsettled trades and others	38,488	45,739
Assets held for sale ¹	2,854	2,746
	<u>67,363</u>	<u>73,249</u>

¹ As at 30 June 2021, assets held for sale included aircrafts and vessels. As at 31 December 2020, assets held for sale included vessels.

20. Investments in subsidiaries

The principal subsidiaries of the Bank are Standard Chartered Bank (China) Limited, Standard Chartered NEA Limited, Standard Chartered Bank (Korea) Limited, Standard Chartered Bank (Taiwan) Limited, Mox Bank Limited and Standard Chartered Leasing Group Limited.

21. Customer accounts

	<i>At 30 June 2021 HK\$'M</i>	<i>At 31 December 2020 HK\$'M</i>
Current accounts	332,452	393,007
Savings accounts	913,208	934,123
Time and other deposits	480,829	409,599
	<u>1,726,489</u>	<u>1,736,729</u>

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***22. Financial liabilities at fair value through profit or loss**

	<i>At 30 June 2021 HK\$'M</i>	<i>At 31 December 2020 HK\$'M</i>
Trading liabilities		
– Short position in securities	25,970	20,030
– Negative fair values of trading derivatives	46,341	83,932
	<u>72,311</u>	<u>103,962</u>
Financial liabilities designated at fair value through profit or loss:		
– Structured deposits from banks and customers	25,576	25,750
– Debt securities issued	6,795	8,408
– Liabilities under sale and repurchase agreements	10,840	10,106
	<u>43,211</u>	<u>44,264</u>
	<u>115,522</u>	<u>148,226</u>

23. Debt securities in issue

	<i>At 30 June 2021 HK\$'M</i>	<i>At 31 December 2020 HK\$'M</i>
Certificates of deposit	15,061	12,869
Others debt securities	30,348	29,546
	<u>45,409</u>	<u>42,415</u>

24. Other liabilities

	<i>At 30 June 2021 HK\$'M</i>	<i>At 31 December 2020 HK\$'M</i>
Accruals and deferred income	8,231	8,692
Provision for liabilities and charges	566	417
Acceptances and endorsements	13,367	13,810
Expected credit loss provision on loan commitments and financial guarantees (note 17)	215	286
Lease liabilities	4,538	3,613
Unsettled trades and others	91,680	63,754
	<u>118,597</u>	<u>90,572</u>

Notes to condensed consolidated interim financial statements (unaudited) (continued)

(Expressed in millions of Hong Kong dollars)

25. Shareholders' equity

The Hong Kong Monetary Authority ("HKMA") requires the Group to maintain a minimum level of impairment allowance for loans and advances to customers which is in excess of the expected credit loss provision required under Hong Kong Financial Reporting Standards. Of the retained earnings as at 30 June 2021 an amount of HK\$3,461 million (31 December 2020: HK\$2,680 million) has been reserved for this purpose.

26. Capital commitments and contingencies

(a) Capital commitment

Capital commitments outstanding at 30 June 2021 in respect of property, plant and equipment purchases not provided for in the consolidated financial statements were HK\$93 million (31 December 2020: HK\$149 million).

(b) Contingencies

The Group receives legal claims against it arising in the normal course of business. The Group considers none of these matters as material. Where appropriate the Group recognises a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation.

27. Material related-party transactions

There were no significant changes to the nature of the related party transactions described in the 2020 consolidated financial statements that have a material effect on the financial position or performance of the Group during the six months ended 30 June 2021. All related party transactions that took place in the six months ended 30 June 2021 were similar in nature to those disclosed in the 2020 consolidated financial statements.

28. Ultimate and immediate holding company

The Bank's ultimate and immediate holding company is SC PLC, a company registered in England and Wales. SC PLC has listings on the London Stock Exchange and the Stock Exchange of Hong Kong. In addition, The Indian Depository Receipt (IDR) programme termination notice period ended on 15 June 2020. SC PLC was formally delisted from the BSE Limited and National Stock Exchange of India Limited in the form of IDR with effect from 22 July 2020.

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***29. Financial instruments****(a) Valuation of financial instruments carried at fair value**

Valuation of financial assets and liabilities held at fair value are subject to a review independent of the business by Valuation Control. For those financial assets and liabilities whose fair value is determined by reference to externally quoted prices or market observable pricing inputs to valuation models, an assessment is made against external market data and consensus services. Financial instruments held at fair value in the condensed consolidated statement of financial position have been classified into a valuation hierarchy that reflects the significance of the inputs used in the fair value measurements.

Valuation methodologies

The valuation hierarchy is set out below:

	Level 1	Level 2	Level 3
Fair value determined using:	Unadjusted quoted price in an active market for identical assets and liabilities	Directly or indirectly observable inputs other than unadjusted quoted prices included within Level 1 that are observable ¹	Significant inputs for the asset or liability that are not based on observable market data (unobservable inputs) (see note 29 (a)(i))

¹ These included valuation models such as discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. These models incorporate assumptions and inputs that other market participants would use in their valuations, such as discount rates, default rates, credit spreads and option volatilities. These inputs need to be directly or indirectly observable in order to be classified as level 2.

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***29. Financial instruments (continued)****(a) Valuation of financial instruments carried at fair value (continued)**

The tables below show the classification of financial instruments held at fair value into the valuation hierarchy set out above:

	<i>At 30 June 2021</i>			<i>Total HK\$'M</i>
	<i>Level 1 HK\$'M</i>	<i>Level 2 HK\$'M</i>	<i>Level 3 HK\$'M</i>	
Financial assets at fair value through profit or loss:				
– Trading assets	58,758	115,417	444	174,619
– Non-trading financial assets mandatorily at fair value through profit or loss	256	26,725	4,419	31,400
– Financial assets designated at fair value through profit or loss	–	1,572	–	1,572
Investment securities at fair value through other comprehensive income	194,151	206,659	638	401,448
Amounts due from fellow subsidiaries				
– Positive fair values of trading and hedging derivatives	30	37,914	5	37,949
– Debt securities	–	225	5,179	5,404
Total assets measured at fair value	253,195	388,512	10,685	652,392
Financial liabilities at fair value through profit or loss:				
– Trading liabilities	22,697	49,581	33	72,311
– Financial liabilities designated at fair value through profit or loss	–	39,777	3,434	43,211
Amounts due to immediate holding company				
– Negative fair values of hedging derivatives	–	145	–	145
Amounts due to fellow subsidiaries				
– Negative fair values of trading and hedging derivatives	42	35,020	10	35,072
Total liabilities measured at fair value	22,739	124,523	3,477	150,739

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***29. Financial instruments (continued)****(a) Valuation of financial instruments carried at fair value (continued)**

	Level 1 HK\$'M	At 31 December 2020 Level 2 HK\$'M	Level 3 HK\$'M	Total HK\$'M
Financial assets at fair value through profit or loss:				
– Trading assets	61,671	139,842	479	201,992
– Non-trading financial assets mandatorily at fair value through profit or loss	55	38,846	2,361	41,262
– Financial assets designed at fair value through profit or loss	–	1,985	–	1,985
Investment securities at fair value through other comprehensive income	252,514	228,680	978	482,172
Amounts due from fellow subsidiaries				
– Positive fair values of trading and hedging derivatives	44	56,099	–	56,143
– Debt securities	–	5,171	–	5,171
Total assets measured at fair value	<u>314,284</u>	<u>470,623</u>	<u>3,818</u>	<u>788,725</u>
Financial liabilities at fair value through profit or loss:				
– Trading liabilities	18,866	85,069	27	103,962
– Financial liabilities designated at fair value through profit or loss	–	42,668	1,596	44,264
Amounts due to immediate holding company				
– Negative fair values of hedging derivatives	–	973	–	973
Amounts due to fellow subsidiaries				
– Negative fair values of trading and hedging derivatives	15	63,935	–	63,950
Total liabilities measured at fair value	<u>18,881</u>	<u>192,645</u>	<u>1,623</u>	<u>213,149</u>

There were no significant transfers between level 1 and level 2 instruments during 2020 and 2021.

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***29. Financial instruments (continued)****(a) Valuation of financial instruments carried at fair value (continued)****(i) Valuation of financial instruments with significant unobservable inputs**

The movements during the period for level 3 financial assets and liabilities are as follows:

Financial assets

	<i>Financial assets at fair value through profit or loss HK\$'M</i>	<i>Financial assets at fair value through other comprehensive income HK\$'M</i>	<i>Amount due from fellow subsidiaries HK\$'M</i>	<i>Total level 3 assets HK\$'M</i>
At 1 January 2021	2,840	978	–	3,818
Total (losses)/gains recognised in the income statement				
– Net trading income	(76)	–	4	(72)
Total gains recognised in other comprehensive income				
– Net change in fair value	–	18	–	18
Purchases	1,782	68	1	1,851
Settlements	(647)	–	–	(647)
Transferred into level 3 ¹	1,110	–	5,179	6,289
Transferred out of level 3 ¹	(149)	(426)	–	(575)
Other movement	3	–	–	3
	<u>4,863</u>	<u>638</u>	<u>5,184</u>	<u>10,685</u>
At 30 June 2021				
Total gains recognised in the income statement relating to assets held at 30 June 2021				
– Net trading income	<u>54</u>	<u>–</u>	<u>4</u>	<u>58</u>

¹ Transfers into/(out of) level 3 during the period relate to financial instruments where the valuation parameters became unobservable/(observable) during the period.

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***29. Financial instruments (continued)****(a) Valuation of financial instruments carried at fair value (continued)****(i) Valuation of financial instruments with significant unobservable inputs (continued)***Financial liabilities*

	<i>Financial liabilities at fair value through profit or loss HK\$'M</i>	<i>Amount due to fellow subsidiaries HK\$'M</i>	<i>Total level 3 liabilities HK\$'M</i>
At 1 January 2021	1,623	–	1,623
Total losses recognised in the income statement			
– Net trading income	73	9	82
Additions	3,199	1	3,200
Settlements	(1,428)	–	(1,428)
	<u>3,467</u>	<u>10</u>	<u>3,477</u>
At 30 June 2021	<u>3,467</u>	<u>10</u>	<u>3,477</u>
Total losses recognised in the income statement relating to liabilities held at 30 June 2021			
– Net trading income	<u>72</u>	<u>9</u>	<u>81</u>

Financial assets

	<i>Financial assets at fair value through profit or loss HK\$'M</i>	<i>Financial assets at fair value through other comprehensive income HK\$'M</i>	<i>Total level 3 assets HK\$'M</i>
At 1 January 2020	3,024	435	3,459
Total losses recognised in the income statement			
– Net trading income	(193)	–	(193)
Total losses recognised in other comprehensive income			
– Net change in fair value	–	(57)	(57)
Purchases	1,815	600	2,415
Sales	(989)	–	(989)
Settlements	(1,168)	–	(1,168)
Transferred into level 3 ¹	829	–	829
Transferred out of level 3 ¹	(478)	–	(478)
	<u>2,840</u>	<u>978</u>	<u>3,818</u>
At 31 December 2020	<u>2,840</u>	<u>978</u>	<u>3,818</u>
Total gains recognised in the income statement relating to assets held at 31 December 2020			
– Net trading income	<u>59</u>	<u>–</u>	<u>59</u>

¹ Transfers into/(out of) level 3 during the year relate to financial instruments where the valuation parameters became unobservable/(observable) during the year.

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***29. Financial instruments (continued)****(a) Valuation of financial instruments carried at fair value (continued)**

(i) Valuation of financial instruments with significant unobservable inputs (continued)

Financial liabilities

	<i>Financial liabilities at fair value through profit or loss HK\$'M</i>	<i>Amount due to fellow subsidiaries HK\$'M</i>	<i>Total level 3 liabilities HK\$'M</i>
At 1 January 2020	919	3	922
Total losses recognised in the income statement			
– Net trading income	12	–	12
Additions	2,171	–	2,171
Settlements	(1,479)	(3)	(1,482)
	<u>1,623</u>	<u>–</u>	<u>1,623</u>
At 31 December 2020			
Total losses recognised in the income statement relating to liabilities held at 31 December 2020			
– Net trading income	13	–	13
	<u>13</u>	<u>–</u>	<u>13</u>

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***29. Financial instruments (continued)****(a) Valuation of financial instruments carried at fair value (continued)****(i) Valuation of financial instruments with significant unobservable inputs (continued)**

The following table presents the key valuation techniques used to measure the fair value of level 3 financial instruments which are held at fair value, the significant unobservable inputs and the range of values for those inputs and the weighted average of those inputs.

<i>Type of instruments</i>	<i>Principal valuation technique</i>	<i>Significant unobservable inputs</i>	<i>Range¹</i>	<i>Weighted average²</i>
Debt securities	Discounted cash flows	Price/Yield	4.4% to 13.0% (2020: 4.7% to 6.2%)	6.3% (2020: 5.1%)
		Recovery rates	55.0% (2020: 55.0%)	55.0% (2020: 55.0%)
Loans and advances to customers	Discounted cash flows	Recovery rates	89.8% to 100% (2020: 89.4% to 100%)	95.1% (2020: 94.4%)
		Price/Yield	0.5% to 14.3% (2020: 1.8% to 6.2%)	2.5% (2020: 3.6%)
Equity shares	Discounted cash flows	Discount rates	10.0% (2020: 8.3% to 11.5%)	10.0% (2020: 10.5%)
Debt securities issued	Discounted cash flows	Credit spreads	1.0% to 11.5% (2020: 0.5% to 11.5%)	3.4% (2020: 3.1%)
Structured bank deposits	Discounted cash flows	Credit spreads	1.0% to 3.0% (2020: 1.0% to 1.4%)	1.3% (2020: 1.1%)
Structured customer deposits	Discounted cash flows	Credit spreads	0.1% to 10.1% (2020: 1.0%)	2.2% (2020: 1.0%)
		Recovery rates	55.0% (2020: 55.0%)	55.0% (2020: 55.0%)
Derivatives	Discounted cash flows	Credit spreads	1.0% to 3.0% (2020: NA)	1.3% (2020: NA)
		Price/Yield	7.7% to 14.3% (2020: 0.9%)	11.0% (2020: 0.9%)
	Internal Pricing Model	Equity-Equity Correlation	4.0% to 96.0% (2020: 20.0% to 90.0%)	65.0% (2020: 49.0%)
		Equity-Foreign Exchange Correlation	-85.0% to 72.0% (2020: -70.0% to 80.0%)	-50.0% (2020: -59.0%)
Option Pricing Model	Foreign Exchange Option Implied Volatility	25.0% to 30.0% (2020: NA)	27.5% (2020: NA)	

¹ The ranges of values shown represent the highest and lowest levels used in the valuation of the level 3 financial instruments as at 30 June 2021 and 31 December 2020. The ranges of values used are reflective of the underlying characteristics of these level 3 financial instruments based on the market conditions at the reporting date. However, these ranges of values may not represent the uncertainty in fair value measurements of these level 3 financial instruments.

² Weighted average for non-derivative financial instruments have been calculated by weighting inputs by the relative fair value.

Notes to condensed consolidated interim financial statements (unaudited) (continued)

(Expressed in millions of Hong Kong dollars)

29. Financial instruments (continued)

(a) Valuation of financial instruments carried at fair value (continued)

(i) Valuation of financial instruments with significant unobservable inputs (continued)

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

Yield

Yield is the interest rate that is used to discount the future cash flows in a discounted cash flow model. An increase in the yield, in isolation, would result in a decrease in a fair value measurement.

Recovery rates

Recovery rates are the expectation of the rate of recovery resulting from the liquidation of a particular loan. As the probability of default increases for a given instrument, the valuation of that instrument will increasingly reflect its expected recovery level assuming default. An increase in the recovery rate, in isolation, would result in a favourable movement in the fair value of the loan.

Credit spreads

Credit spreads represent the additional yield that a market participant would demand for taking exposures to the credit risk of an instrument. An increase in credit spread, in isolation, would result in a decrease in fair value measurement.

Discount rates

Discount rates is applied to discount future dividend in the discounted cash flow model. An increase in the discount rate, in isolation, would result in decrease in a fair value measurement.

Equity-Equity correlation and Equity-Foreign Exchange correlation

Correlation is the measure of how movement in one variable influences the movement in another variable. An equity-equity correlation is the correlation between two equity instruments while an equity-foreign exchange correlation refers to the correlation between equity instrument and foreign exchange instrument.

Volatility

Volatility represents an estimate of how much a particular instrument, parameter or index will change in value overtime. Generally, the higher the volatility, the more expensive the option will be.

(ii) Sensitivities in respect of the fair values of level 3 assets and liabilities

Where the fair value of financial instruments are measured using valuation techniques that incorporate one or more significant inputs which are based on unobservable market data, we apply a 10 per cent increase or decrease on the values of these unobservable parameter inputs, to generate a range of reasonably possible alternative valuations in accordance with the requirements of HKFRS 7/IFRS 7, Financial Instruments: Disclosures. The percentage shift is determined by statistical analysis performed on a set of reference prices, which included certain equity indices, credit indices and volatility indices, based on the composition of our level 3 financial instruments. Favourable and unfavourable changes are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable parameters. This level 3 sensitivity analysis assumes a one way market move and does not consider offsets for hedges.

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***29. Financial instruments (continued)****(a) Valuation of financial instruments carried at fair value (continued)**

(ii) Sensitivities in respect of the fair values of level 3 assets and liabilities (continued)

At 30 June 2021

	<i>Held at fair value through profit or loss</i>			<i>Held at fair value through other comprehensive income</i>		
	<i>Net exposure HK\$'M</i>	<i>Favourable changes HK\$'M</i>	<i>Unfavourable changes HK\$'M</i>	<i>Net exposure HK\$'M</i>	<i>Favourable changes HK\$'M</i>	<i>Unfavourable changes HK\$'M</i>
Debt securities	535	580	488	5,179	5,698	4,662
Loans and advances to customers	3,977	3,995	3,927	–	–	–
Equity shares	341	375	307	638	704	581
Positive fair value of derivatives	15	23	6	–	–	–
Debt securities issued	(166)	(166)	(166)	–	–	–
Structured bank deposits	(2,145)	(2,145)	(2,145)	–	–	–
Structured customer deposits	(1,123)	(1,123)	(1,130)	–	–	–
Negative fair value of derivatives	(43)	(42)	(43)	–	–	–
	<u>1,391</u>	<u>1,497</u>	<u>1,244</u>	<u>5,817</u>	<u>6,402</u>	<u>5,243</u>

At 31 December 2020

	<i>Held at fair value through profit or loss</i>			<i>Held at fair value through other comprehensive income</i>		
	<i>Net exposure HK\$'M</i>	<i>Favourable changes HK\$'M</i>	<i>Unfavourable changes HK\$'M</i>	<i>Net exposure HK\$'M</i>	<i>Favourable changes HK\$'M</i>	<i>Unfavourable changes HK\$'M</i>
Debt securities	486	535	438	–	–	–
Loans and advances to customers	1,976	2,004	1,931	–	–	–
Equity shares	378	416	340	978	1,075	880
Debt securities issued	(281)	(281)	(282)	–	–	–
Structured bank deposits	(1,133)	(1,133)	(1,133)	–	–	–
Structured customer deposits	(182)	(172)	(189)	–	–	–
Negative fair value of derivatives	(27)	(4)	(51)	–	–	–
	<u>1,217</u>	<u>1,365</u>	<u>1,054</u>	<u>978</u>	<u>1,075</u>	<u>880</u>

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***29. Financial instruments (continued)****(a) Valuation of financial instruments carried at fair value (continued)**

(ii) Sensitivities in respect of the fair values of level 3 assets and liabilities (continued)

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

<i>Financial instruments</i>	<i>Fair value changes</i>	<i>At 30 June</i>	<i>At 31 December</i>
		<i>2021</i>	<i>2020</i>
		<i>HK\$'M</i>	<i>HK\$'M</i>
Held at fair value through profit or loss	Possible increase	106	148
	Possible decrease	147	163
Held at fair value through other comprehensive income	Possible increase	585	97
	Possible decrease	574	98

(b) Valuation of financial instruments carried at amortised cost

All financial instruments carried at amortised cost are stated at amounts not materially different from their fair value as at 30 June 2021 and 31 December 2020, except for subordinated liabilities.

The following table summarises the carrying amounts and fair values (including the valuation hierarchy) of subordinated liabilities. The values in the table below are stated as at 30 June 2021 and 31 December 2020 and may be different from the actual amounts that will be received on the settlement or maturity of the subordinated liabilities.

	<i>At 30 June 2021</i>			<i>At 31 December 2020</i>		
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>	<i>Fair value</i>
	<i>HK\$'M</i>	<i>Level 1</i>	<i>Level 2</i>	<i>HK\$'M</i>	<i>Level 1</i>	<i>Level 2</i>
	<i>HK\$'M</i>	<i>HK\$'M</i>	<i>HK\$'M</i>	<i>HK\$'M</i>	<i>HK\$'M</i>	<i>HK\$'M</i>
Subordinated liabilities	54,905	–	55,261	46,766	–	46,985

Notes to condensed consolidated interim financial statements (unaudited) (continued)

(Expressed in millions of Hong Kong dollars)

30. Share based payments

SC PLC operates a number of share-based arrangements for its directors and employees.

2011 Standard Chartered Share Plan (“the 2011 Plan”)

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

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

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

2001 Performance Share Plan (“2001 PSP”)

SC PLC’s previous plan for delivering performance shares was the 2001 PSP. There are no outstanding vested awards under this plan. This plan is closed and no further awards will be granted under this plan.

2013 Sharesave Plan

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

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

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***30. Share based payments (continued)****Valuation of share awards**

Details of the valuation models used in determining the fair values of share awards granted under the SC PLC's share plans are detailed in the Group's consolidated financial statements for the year ended 31 December 2020.

Reconciliation of share award movements for the period to 30 June 2021

	<u>2011 Plan</u>				<i>Weighted average Sharesave exercise price (£)</i>
	<i>LTIP</i>	<i>Deferred/ Restricted shares</i>	<i>PSP</i>	<i>2013 Sharesave</i>	
Outstanding at 1 January 2021	2,263,726	5,609,032	4,706	8,062,939	4.32
Granted	262,881	2,474,740	–	–	–
Lapsed	(1,877,629)	(141,656)	–	(1,156,825)	5.81
Exercised	(12,838)	(1,917,913)	(3,839)	–	–
	<u>636,140</u>	<u>6,024,203</u>	<u>867</u>	<u>6,906,114</u>	<u>4.07</u>
Outstanding at 30 June 2021					
Exercisable at 30 June 2021	<u>–</u>	<u>471,901</u>	<u>867</u>	<u>1,506</u>	
Range of exercise prices (£)	<u>–</u>	<u>–</u>	<u>–</u>	<u>3.14 - 5.13</u>	
Weighted average contractual remaining life (years)	<u>8.49</u>	<u>8.44</u>	<u>0.70</u>	<u>2.23</u>	

By order of the Board

Saleem Razvi
Executive Director and Chief Financial Officer, Asia

Hong Kong
3 August 2021