

## Financial statements

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## ► Supporting the rollout of electric vehicles in Sweden ◀

In 2022, we were part of a group of banks which created a EUR350 million green trade facility for Polestar, an electric performance car maker.

The facility will finance the import of electric vehicles into Europe and North America and will support the switch to EVs, resulting in significant CO<sub>2</sub> savings per kilometre. One of Polestar's main goals is producing a truly carbon-neutral car by 2030.



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# Independent Auditor's Report to the members of Standard Chartered PLC

## Opinion

In our opinion:

- the financial statements of Standard Chartered PLC (the 'Company' or the 'Parent Company'), its subsidiaries, interests in associates and jointly controlled entities (together with the Company, the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU IFRS);
- the Company financial statements have been properly prepared in accordance with UK adopted IAS as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Group and the Company for the year ended 31 December 2022 which comprise:

Group	Company
Consolidated income statement for the year ended 31 December 2022;	Company cash flow statement for the year ended 31 December 2022;
Consolidated statement of comprehensive income for the year then ended;	Company balance sheet as at 31 December 2022;
Consolidated balance sheet as at 31 December 2022;	Company statement of changes in equity for the year then ended; and
Consolidated statement of changes in equity for the year then ended;	Related notes 1 to 40, where relevant to the financial statements, including a summary of significant accounting policies.
Consolidated cash flow statement for the year then ended;	
Related notes 1 to 40 to the financial statements, including a summary of significant accounting policies;	
Information marked as 'audited' within the Directors' remuneration report from page 184 to 217; and	
Risk Review and Capital Review disclosures marked as 'audited' from page 234 to 325.	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted IAS and EU IFRS; and as regards the Parent Company financial statements, UK adopted IAS as applied in accordance with section 408 of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting the audit.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting, including the impact of external risks such as geopolitical risk.
- Assessing the Group's forecast capital, liquidity, and leverage ratios over the period of twelve months from 16 February 2023 to evaluate the headroom against the minimum regulatory requirements and the risk appetite set by the directors.
- Engaging internal valuation and economic specialists to assess the reasonableness of assumptions used to develop the forecasts in the Corporate Plan and evaluating the accuracy of historical forecasting.
- Inspecting the Group's funding plan and repayment plan for funding instruments maturing over the period of twelve months from 16 February 2023.
- Understanding and evaluating credit rating agency ratings and actions.
- Assessing the results of management's stress testing, including consideration of principal and emerging risks, on funding, liquidity, and regulatory capital.
- Reviewing correspondence with prudential regulators and authorities for matters that may impact the going concern assessment; and
- Evaluating the appropriateness of the going concern disclosure included in note 1 to the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Company's ability to continue as a going concern for a period of twelve months from 16 February 2023.



In relation to the Group and Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

## Overview of our audit approach

<b>Audit scope</b>	<ul style="list-style-type: none"> <li>We performed an audit of the complete financial information of 15 components in 12 countries and audit procedures on specific balances for a further 11 components in 9 countries.</li> <li>The components where we performed full or specific audit procedures accounted for 82% of the absolute adjusted profit before tax (PBT) measure used to calculate materiality, 89% of absolute operating income and 95% of Total assets.</li> </ul>
<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>Credit impairment</li> <li>Basis of accounting and impairment assessment of China Bohai Bank (Interest in Associate)</li> <li>User Access Management – Privileged Access Management</li> <li>Impairment of Goodwill and Investments in subsidiary undertakings</li> <li>Valuation of financial instruments held at fair value with higher risk characteristics</li> </ul>
<b>Materiality</b>	<ul style="list-style-type: none"> <li>Overall group materiality of \$234m which represents 5% of adjusted PBT</li> </ul>

## An overview of the scope of the Parent Company and Group audits

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each component within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We took into account the size, risk profile, the organisation of the Group and effectiveness of control environment, changes in the business environment and other factors such as the level of issues and misstatements noted in prior period when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the consolidated financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 367 reporting units of the Group, we selected 64 reporting units which represent 26 components in 21 countries: Bangladesh, Cameroon, Hong Kong, India, Indonesia, Japan, Kenya, Mainland China, Malaysia, Nigeria, Pakistan, Republic of Ireland, Republic of South Africa, Singapore, South Korea, Sri Lanka, Taiwan, United Arab Emirates, United Kingdom, United States of America and Zambia. The definition of a component is aligned with the structure of the Group's consolidation system, typically these are either a branch, group of branches, group of subsidiaries, a subsidiary, or an associate.

We took a centralised approach to auditing certain processes and controls, as well as the substantive testing of specific balances. This included audit work over Group's Global Business Services shared services centre, Commercial, Corporate and Institutional Banking, Credit Impairment and Technology.

Of the 26 components selected in 21 countries, we performed an audit of the complete financial information of 15 components in 12 countries ('full scope components') which were selected based on their size or risk characteristics. For the remaining 11 components in 9 countries ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the Group financial statements either because of the size of these accounts or their risk profile.

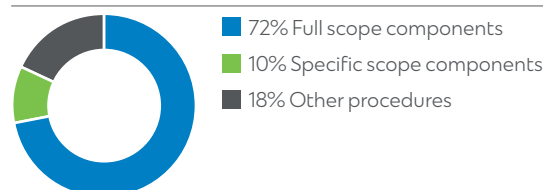
The reporting components where we performed audit procedures accounted for 82% (2021: 81%) of the Group's absolute adjusted PBT, 89% (2021: 89%) of the Group's absolute operating income and 95% (2021: 96%) of the Group's total assets. For the current year, the full scope components contributed 72% (2021: 74%) of the Group's absolute adjusted PBT, 79% (2021: 81%) of the Group's absolute operating income and 87% (2021: 88%) of the Group's total assets.

The specific scope components contributed 10% (2021: 7%) of the Group's absolute adjusted PBT, 10% (2021: 8%) of the Group's absolute operating income and 8% (2021: 8%) of the Group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group, overall.

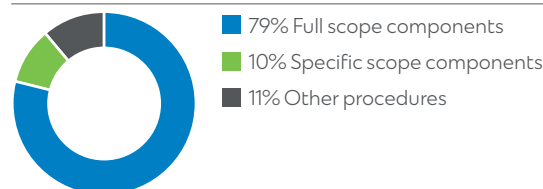
Of the remaining 303 reporting units that together represent 18% of the Group's absolute adjusted PBT, none individually contributed more than 2% of the Group's absolute adjusted PBT. For the components represented by these reporting units, we performed other procedures at the Group level which included: performing analytical reviews at the Group financial statement line item level, testing entity level controls, performing audit procedures on the centralised shared service centres, testing of consolidation journals and intercompany eliminations, inquiring with overseas EY teams on the outcome of prior year local statutory audits (where audited by EY) to identify any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

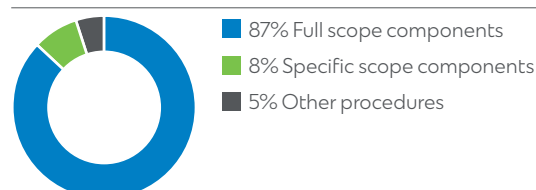
### Absolute adjusted profit before tax



### Absolute operating income



### Total assets



## Changes from the prior year

We assessed our 2022 audit scope with consideration of history or expectation of unusual or complex transactions and potential for material misstatements. We also kept our audit scope under review throughout the year.

One component (Germany) which was included in our prior year audit scope and assigned full scope, which represents 0.03% (2021:0.4%) of the current year absolute adjusted PBT, 1.3% of the Group's total assets (2021:1%) and 0.6% of the Group's absolute operating income (2021:0.8%), was excluded from the Group audit scope in the current year based on our updated risk assessment. For this component as well as Philippines, Uganda and Jordan, the Primary Audit Team performed certain procedures centrally over the cash balances as at 31 December 2022. Nigeria and Bangladesh were full scope components in the prior year but were designated as specific scope components in the current year based on our updated risk assessment.

In 2022 we assigned a specific scope to Cameroon, South Africa, Sri Lanka and Zambia components that are significant based on risk. These components were not in-scope in the prior year.

## Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Group audit engagement team, or by component auditors from other EY global network firms and another firm operating under our instructions.

Of the 15 full scope components, audit procedures were performed on 2 of these (including the audit of the Company) directly by the Primary Audit Team (EY London) in the United Kingdom. For 2 specific scope components, the audit procedures were performed by the Primary Audit Team. Where components were audited by the Primary Team, this was under the direction and supervision of the Senior Statutory Auditor.

For the remaining 22 components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our audit opinion on the Group as a whole. In addition, the Group has centralised processes and controls over key areas in its shared service centres. Members of the Primary Audit Team undertook direct oversight, review and coordination of our shared service centre audits.

The Primary Audit Team undertook visits to component teams and shared services centres. During the current year's audit cycle, visits were undertaken by the Primary Audit Team to the component teams in the following locations:

- Bangladesh
- India (including the shared services centre)
- Hong Kong
- Singapore (including the shared services centre)
- Malaysia (including the shared services centre)
- Indonesia
- Republic of Korea
- United Arab Emirates
- United States of America

These visits involved oversight of work undertaken at those locations, discussion of the audit approach and any issues arising from their work, meeting with local management, and reviewing relevant audit working papers on key risk areas.

In addition to the site visits, the Primary Audit Team interacted regularly with the component and shared services centre audit teams where appropriate during the audit, reviewed relevant working papers remotely and were responsible for the overall scoping and direction of the audit process.

The programme of our visits to component team and shared service centres located in China was impacted by the travel restrictions and other imposed government measures which are still in place from the prior year as a result of the ongoing COVID-19 pandemic (albeit less so when compared to the prior year). For this location, oversight of the work was performed remotely through established EY software collaboration platforms for the secure and timely delivery of requested audit evidence.

We also undertook video conference meetings with local audit teams and management. These virtual meetings involved discussing the audit approach with the component and shared service centres team and any issues arising from their work and performing remote reviews of key audit workpapers.

This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group and Company financial statements.

## Climate change

Stakeholders are increasingly interested in how climate change will impact the economy, including the banking sector, and further how this may consequently impact the valuation of assets and liabilities held on bank balance sheets. The Group has determined climate risk to be a Primary Integrated Risk Type and the assessment of that risk is explained on pages 316 and 317 in the "Risk review: Climate Risk" section and on pages 64 to 123 in the "Sustainability" section of the Annual Report, where they have also explained their climate commitments.

All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in the "Sustainability" section of the Annual Report how they have reflected the impact of climate change in their financial statements, including how this aligns with their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050. Significant judgements and estimates relating to climate change are included in the section "Significant accounting estimates and critical judgements" of note 1 to the financial statements, which also provides the narrative explanation of the impact of climate risk on credit risk and lending portfolios under the requirements of UK adopted IAS and EU IFRS. As stated in these disclosures, the Group, having acknowledged the limitations of current data available, increasing sophistication of models, and the evolving and nascent nature of climate impacts on internal and client assets, has concluded climate risk to have limited quantitative impact in the immediate term.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating whether management's assessment of the impact of climate risk, physical and transition, their climate commitments, and the significant judgements and estimates disclosed in note 1 have been appropriately reflected in the valuation of assets and liabilities, where these can be reliably measured, following the requirements of UK adopted IAS and EU IFRS. This was in the context of the Group's process being limited, given that this is an emerging area, as a result of limitations in the data available and the availability of sophisticated models, and as the Group considers how it further embeds its climate ambitions into the planning process.

As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability, and the associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work, we have considered the impact of climate change on the financial statements to impact the key audit matter of Credit Impairment. Details of our procedures and findings are included in our explanation of key audit matters below.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<b>1. Credit Impairment</b> Refer to the Audit Committee Report (page 164); Accounting policies (page 361); Note 8 of the financial statements; and relevant credit risk disclosures (including pages 239 and 270) At 31 December 2022, the Group reported total credit impairment balance sheet provision of \$6,075 million (2021: \$6,209 million). Management's judgements and estimates are especially subjective due to significant uncertainty associated with the estimation of expected future losses. Assumptions with increased complexity in respect of the timing and measurement of expected credit losses (ECL) include: <ul style="list-style-type: none"> <li>• <b>Staging</b> – the determination of significant increase in credit risk and resultant timely allocation of assets to the appropriate stage in accordance with IFRS 9;</li> <li>• <b>Model output and adjustments</b> – Accounting interpretations, modelling assumptions and data used to build and run the models that calculate the ECL, including the appropriateness, completeness and valuation of post-model adjustments applied to model output to address risks not fully captured by the models;</li> <li>• <b>Economic scenarios</b> – Significant judgements involved with the determination of parameters used in the Monte Carlo Simulation and the evaluation of the appropriateness of the output from the model in terms of the extent to which it adequately generated non-linearity, including the assessment of any Post Model adjustments;</li> <li>• <b>Management overlays</b> – Appropriateness, completeness and valuation of risk event overlays to capture risks not identified by the credit impairment models, including the consideration of the risk of management override; and</li> <li>• <b>Individually assessed ECL allowances</b> – Measurement of individual provisions including the assessment of probability weighted recovery scenarios, exit strategies, collateral valuations and time to collect.</li> </ul>	We evaluated the design of controls relevant to the Group's processes over material ECL balances, including the judgements and estimates noted, involving EY specialists to assist us in performing our procedures to the extent it was appropriate. Based on our evaluation we selected the controls upon which we intended to rely and tested those for operating effectiveness. We performed an overall stand-back assessment of the ECL allowance levels by stage to determine if they were reasonable by considering the overall credit quality of the Group's portfolios, risk profile, the impact of sovereign downgrades and the idiosyncratic risk of the China CRE sector. Our assessment also included the evaluation of the macroeconomic environment by considering trends in the economies and countries to which the Group is exposed, and the consequences of the easing of global restrictions from the pandemic. We performed peer benchmarking where available to assess overall staging and provision coverage levels. <b>Staging</b> – We evaluated the criteria used to determine significant increase in credit risk including quantitative backstops with the resultant allocation of financial assets to stage 1, 2 or 3 in accordance with IFRS 9. We reperformed the staging distribution for a sample of financial assets and assessed the reasonableness of staging downgrades applied by management. To test credit monitoring which largely drives the probability of default estimates used in the staging calculation, we challenged the risk ratings (including appropriate operation of quantitative backstops) for a sample of performing accounts and other accounts exhibiting risk characteristics such as financial difficulties, deferment of payment, late payment and watchlist. We also considered the vulnerable and cyclical sectors (as defined on page 264 in the annual report).	We highlighted the following matters to the Audit Committee: <ul style="list-style-type: none"> <li>• the pathway to achieve a controls reliance audit for the Group's models;</li> <li>• our evaluation of management's high-level assessment of the potential impact on ECL from climate change;</li> <li>• our assessment of the assumptions used to determine the Stage 3 ECL of individual China Commercial Real Estate developers and the management overlay applied to the sector's modelled ECL;</li> <li>• our assessment of the Group's enhanced Monte Carlo approach including benchmarking the impact of non-linearity from the baseline ECL against UK peers and the non-linearity overlay for retail exposures; and</li> <li>• our assessment of the appropriateness of the Group's methodology used to determine the ECL in relation to sovereign downgrades including the completeness and rationale for country downgrades and the resultant overlays and ECL impact.</li> </ul> We concluded that management's methodology, judgements, and assumptions used in calculating credit impairment are materially in accordance with the accounting standard.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>1. Credit Impairment</b> continued</p> <p>In 2022, the most material factors impacting the ECL were in relation to the China Commercial Real Estate (CRE) portfolio, sovereign downgrades, the enhanced Monte Carlo model and the impact of the global economic environment including the impact of relaxing pandemic restrictions. In addition, where relevant we considered the impact of climate on the impairment provisions. We consider that the combination of these factors has increased the risk of a material misstatement to the ECL.</p> <p>Individually assessed ECL allowances – Our procedures included challenging management's forward-looking economic assumptions of the recovery outcomes identified and assigned individual probability weightings, and recalculating a sample of individually assessed provisions.</p>	<p><b>Modelled output and adjustments</b> – We performed a risk assessment on models involved in the ECL calculation using EY independently determined criteria to select a sample of models to test. We engaged our modelling specialists to evaluate a sample of ECL models by assessing the reasonableness of underpinning assumptions, inputs and formulae used. This included a combination of assessing the appropriateness of model design, formulae and algorithms, alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default parameters. Together with our modelling specialists, we also assessed material post-model adjustments which were applied as a response to risks not fully captured by the models, including the completeness and appropriateness of these adjustments, for which we considered the applied judgments and methodology, and governance thereon.</p> <p>In response to the new or enhanced models implemented this year to address known weaknesses in previous models, we performed substantive testing procedures, including code review and implementation testing.</p> <p>We reperformed model monitoring procedures for models classified as higher risk in accordance with our EY independent risk assessment.</p> <p>To evaluate data quality, we agreed a sample of ECL calculation data points to source systems, including, among other data points, balance sheet data used to run the models. We also tested a sample of the ECL data points from the calculation engine through to the general ledger and disclosures.</p> <p><b>Economic scenarios</b> – For new material models implemented in 2022, in collaboration with our economists and modelling specialists, we challenged the completeness and appropriateness of the macroeconomic variables used as inputs to these models. For existing material models we evaluated the output from our independent model monitoring procedures to assess whether the findings indicated that the macroeconomic variables were outside of accepted tolerances.</p> <p>Additionally, we involved our economic specialists to assist us in evaluating the reasonableness of the base forecast for sample of macroeconomic variables most relevant for the Group's ECL calculation influenced by the above assessment. Procedures performed included benchmarking the forecast for a sample of macroeconomic variables to a variety of global external sources.</p> <p>We assessed the reasonableness of the non-linearity impact on ECL allowances. By engaging our economists and modelling specialists, we assessed the Group's choice of scenarios to determine sensitivity analysis of the ECL on page 278 in the annual report. We also performed a stand-back assessment by benchmarking the uplift and overall ECL charge and provision coverage to peers. We evaluated the appropriateness of the non-linearity overlay for retail exposures.</p>	

## 1. Credit Impairment continued

**Management overlays** – We challenged the completeness and appropriateness of overlays used for risks not captured by the models, particularly regarding the worsening economic environment impacting sovereign/country level credit grades with a focus on Sri Lanka and Ghana which defaulted during the year, and other countries that suffered significant credit downgrades and the China Commercial Real Estate sector. Our procedures included evaluating the underpinning assumptions and judgments as to whether they are appropriate in prevailing market conditions, and for China CRE validating LGD assumptions by engaging local EY Real Estate specialist to validate the collateral values of material Stage 2 exposures.

### Individually assessed ECL allowances –

Our procedures included challenging management's forward-looking economic assumptions of the recovery outcomes identified and assigned individual probability weightings, and recalculating a sample of individually assessed provisions.

We also engaged our valuation specialists to test the value of the collateral used in management's calculations. Our sample was based on quantitative thresholds and qualitative factors, including exposure to vulnerable sectors. We have independently assessed all material China CRE developers in Stage 3 including challenging the plausibility of the applied scenarios, the corresponding weights assigned to work out scenarios and engaging local EY Real Estate specialist to validate the collateral values. We also considered whether planned exit strategies were viable.

Where relevant, with input from our climate specialists, we considered the potential impact of climate change in the determination of each element of the ECL provisions.

## 2. Basis of accounting and impairment assessment of China Bohai Bank (Interest in Associate)

Refer to the Audit Committee Report (page 165); Accounting policies (page 437); and Note 32 of the financial statements

Interest in Associate – China Bohai Bank \$1,421 million (2021: \$1,917 million)

Other impairment – China Bohai Bank – \$308 million (2021: \$300 million).

We focused on judgements and estimates, including the appropriateness of the equity accounting treatment under IAS 28 and the assessment of whether the investment was impaired.

### Basis of accounting

The Group holds a 16.26% stake in China Bohai Bank and equity accounts for the investment as an associate, on the grounds that the Group is able to exercise significant influence over China Bohai Bank.

IAS 28 states that if the entity holds, directly or indirectly, less than 20% of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated.

There is a risk that the equity accounting treatment may not be appropriate, if the Group cannot demonstrate that it exerts significant influence over China Bohai Bank.

### Basis of accounting

We evaluated the facts and circumstances that the Group presented to demonstrate that it exercises significant influence over China Bohai Bank, through Board representation, membership of Board Committees and the sharing of industry and technical advice.

### Impairment testing

The Group impaired the value of the investment in China Bohai Bank by \$308 million (2021: \$300 million).

We assessed the appropriateness of the Group's VIU methodology for testing the impairment of the investment in China Bohai Bank for compliance with the accounting standards. We tested the mathematical accuracy of the VIU model and engaged our valuation specialists to support the audit team in calculating an independent range for the assumptions underlying the VIU calculations, which are the discount rate and long-term growth rate.

We performed audit procedures to assess the reasonableness of the Group's forecast of the future cashflows relating to Bohai, by evaluating management's assessment, benchmarking the forecasts to broker reports published for comparable companies and challenging management with regard to the relevance and reliability of historical data when preparing their assessment.

We concluded that the Group continues to maintain significant influence over China Bohai Bank as at 31 December 2022.

We concluded that the Interest in Associate – China Bohai Bank balance was not materially misstated as at 31 December 2022.

We concluded that the disclosures in the annual report appropriately reflect the sensitivity of the carrying value to reasonably possible changes in key assumptions in the valuation of the investment in China Bohai Bank.



Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>2. Basis of accounting and impairment assessment of China Bohai Bank (Interest in Associate)</b> continued</p> <p><b>Impairment testing</b> At 31 December 2022, China Bohai Bank's market capitalisation was significantly lower than the carrying value of the investment. In addition, the financial performance of China Bohai Bank deteriorated during 2022. These matters are indicators of impairment.</p> <p>Impairment of the investment in China Bohai Bank is determined by comparing the carrying value to the value-in-use (VIU). The VIU is modelled by reference to future cashflow forecasts (forecast profit, including a haircut for regulatory capital), discount rate and macroeconomic assumptions such as long-term growth rates.</p> <p>Consequently, there is a risk that if the judgements and assumptions underpinning the impairment assessments are inappropriate, then the investment in China Bohai Bank may be misstated.</p> <p>The risk of impairment has increased in current year in the context of economic developments in China as well as Bohai's financial performance in 2022. The risk in respect of significant influence has not changed compared to the prior year.</p>	<p>We assessed the appropriateness of disclosures in the annual report in relation to the impact of reasonably possible changes in key assumptions on the carrying value of the investment in China Bohai Bank.</p>	
<p><b>3. User Access Management – Privileged Access Management</b> Refer to the Audit Committee Report (page 165)</p> <p>IT General Controls (ITGCs) support the continuous operation of the automated and other IT dependent controls within the business processes related to financial reporting. Effective IT general controls are needed to ensure that IT applications process business data as expected and that changes are made in an appropriate manner.</p> <p>During the 2020 and 2021 audits, a number of significant privileged identity management (PIM) control deficiencies were identified by us. Similar deficiencies were identified by Group Internal Audit (GIA) and the predecessor auditor in 2018 and 2019.</p> <p>The possibility of IT application users gaining access privileges beyond those necessary to perform their assigned duties may result in breaches in segregation of duties, including inappropriate manual intervention, unauthorised changes to systems or programmes.</p> <p>These deficiencies are still in the process of being fully remediated. During the current year audit, we made further observations relating to the effectiveness of remediation activities.</p> <p>The risk has decreased in the current year due to management's remediation program, which is still in progress as at the year-end date.</p>	<p>We evaluated the results of management's remediation program and risk assessment for applications in our audit scope.</p> <p>We also tested IT controls (including IT compensating controls) where possible, and also performed additional IT substantive procedures to assess the impact of risks associated with the reported deficiencies, on the financial statements.</p> <p>We assessed the impact of the results of the above on our audit procedures over the financial statements for the year ended 31 December 2022.</p>	<ul style="list-style-type: none"> <li>• We communicated a weakness in internal control to the Audit Committee throughout the audit, in respect of the effectiveness of privileged identity management controls.</li> <li>• We explained the results of the additional audit procedures performed.</li> </ul> <p>As a result of the procedures performed, we have reduced the risk that our audit has not identified a material error in the Group and Company financial statements, related to privileged access management, to an appropriate level.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>4. Impairment assessment of goodwill and investments in subsidiary undertakings</b></p> <p>Refer to the Audit Committee Report (page 165);</p> <p>a) Impairment of Goodwill: Accounting policies (page 409); and Note 17 of the financial statements</p> <p>b) Impairment of investments in subsidiary undertakings: Accounting policies (page 437); and Note 32 of the financial statements.</p> <p>At 31 December 2022 the Group reported Goodwill balance of \$2,472 million (2021: \$2,595 million). In the Parent Company financial statements, investment in subsidiary undertakings balance comprised \$60,975 million (2021: \$60,429 million). During the year the Group impaired goodwill by \$14million (2021: NIL).</p> <p>On an annual basis, management is required to perform an impairment assessment for goodwill, and to assess for indicators of impairment in respect of investments in subsidiary undertakings; where indicators of impairment are identified, the recoverable amount of the investment should be estimated.</p> <p>Impairment assessment of goodwill is performed by calculating a value in use ('VIU') as the recoverable amount of the related cash generating unit ('CGU').</p> <p>The Group identified indicators of impairment of investments in subsidiary undertakings, including macroeconomic and geopolitical factors which have an impact on the financial position and performance of the subsidiaries.</p> <p>In assessing for indicators of impairment, among other procedures, management compares the Net Asset Value ('NAV') of the subsidiary to the carrying value of each direct subsidiary of the Parent Company. Where the net assets did not support the carrying value, the recoverable amount is estimated by determining the higher of the VIU or fair value less cost to sell.</p> <p>Where the recoverable amount is based on the VIU, this is modelled by reference to future cashflow forecasts (profit forecast including a regulatory capital haircut adjustment), discount rates and macroeconomic assumptions such as long-term growth rates.</p> <p>There is a risk that if the judgements and assumptions underpinning the impairment assessments are inappropriate, then the goodwill and investments in subsidiaries balances may be misstated.</p> <p>The level of risk remains consistent with the prior year.</p>	<p>We obtained an understanding of management's process and evaluated the design of controls. Our audit strategy was fully substantive.</p> <p>We assessed the appropriateness of the Group's methodology for testing the impairment of goodwill and investments in subsidiary undertakings for compliance with the accounting standards.</p> <p>For goodwill, we assessed the appropriateness of the cash-generating units identified by management.</p> <p>We agreed the inputs in the VIU model with their source and tested the mathematical accuracy of the VIU model. We engaged EY specialists to support the audit team in assessing reasonableness of the regulatory haircut adjustment to future profitability forecasts and calculating an independent range for assumptions underlying the VIU calculations, such as the discount rate and long-term growth rate for each cash generating unit.</p> <p>We also reconciled the future profitability forecasts of each CGU to the Group's approved Corporate Plan ('the Plan'). We engaged our specialist team to determine the reasonableness of the forward macroeconomic inputs used in the Plan and to assess their implementation in the modelled calculations underpinning the Plan. In addition, our specialist team benchmarked certain aspects of the Plan with other comparable businesses.</p> <p>We performed audit procedures to assess the reasonableness of the forecasts by understanding the Group Strategy, challenging key assumptions underpinning the Plan, assessing the feasibility of management actions necessary to achieve the Plan and testing the reliability of the Group's historical forecasting by comparing with the actual performance.</p> <p>We performed a stand back assessment to evaluate the appropriateness of the audit evidence obtained and our conclusion in relation to these estimates. In addition to this, we also engaged our specialist team to perform a sensitivity analysis of the key inputs in the VIU model.</p> <p>We agreed the NAV of the subsidiaries against their carrying value to confirm impairment or reversal of impairment recognised in the Parent's Company financial results.</p> <p>We assessed the appropriateness of goodwill and investments in subsidiary undertakings impairment disclosures in accordance with IAS 36.</p>	<p>We concluded that the goodwill balance as at 31 December 2022 and the related disclosures, are not materially misstated.</p> <p>We concluded that the disclosures in the annual report appropriately reflect the sensitivity of the carrying value of goodwill to reasonably possible changes in key assumptions, noting that these downside sensitivities could require an adjustment to the carrying amount of goodwill in future.</p> <p>We also concluded that the investments in subsidiary undertakings reported in the Parent Company financial statements and the associated disclosures, are not materially misstated as at 31 December 2022.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>5. Valuation of financial instruments held at fair value with higher risk characteristics</b></p> <p>Refer to the Audit Committee Report (page 165); Accounting policies (page 371); and Note 13 of the financial statements.</p> <p>At 31 December 2022, the Group reported financial assets measured at fair value of \$282,263 million (2021: \$303,678 million), and financial liabilities at fair value of \$149,765 million (2021: \$138,596 million), of which financial assets of \$5,865 million (2021: \$4,116 million) and financial liabilities of \$1,878 million (2021: \$1,653 million) are classified as Level 3 in the fair value hierarchy.</p> <p>The fair value of financial instruments with higher risk characteristics involves the use of management judgement in the selection of valuation models and techniques, pricing inputs and assumptions and fair value adjustments.</p> <p>A higher level of estimation uncertainty is involved for financial instruments valued using complex models, pricing inputs that have limited observability, and fair value adjustments, including the Credit Valuation Adjustment, Funding Valuation Adjustment, Debit Valuation Adjustment and Own Credit Adjustment.</p> <p>We considered the following portfolios presented a higher level of estimation uncertainty:</p> <ul style="list-style-type: none"> <li>• Level 3 derivatives and debt securities in issue and a portfolio of Level 2 financial instruments whose valuation involves the use of complex models, and</li> <li>• Unlisted equity investments, loans at fair value, debt and other financial instruments classified in Level 3 with unobservable pricing inputs.</li> </ul> <p>The level of risk remains consistent with the prior year.</p>	<p>We evaluated the design and operating effectiveness of controls relating to the valuation of financial instruments, including independent price verification, model review and approval, fair value adjustments, income statement analysis and reporting.</p> <p>Among other procedures, we engaged our valuation specialists to assist the audit team in performing the following procedures:</p> <ul style="list-style-type: none"> <li>• Test complex model-dependent valuations by independently revaluing a sample of Level 3 and complex Level 2 derivative financial instruments and debt securities in issue, in order to assess the appropriateness of models and the adequacy of assumptions and inputs used by the Group;</li> <li>• Test valuations of other financial instruments with higher estimation uncertainty, such as unlisted equity investments, loans at fair value, debt and other financial instruments. We compared management's valuation to our own independently developed range, where appropriate;</li> <li>• Assessed the appropriateness of pricing inputs as part of the Independent Price Verification process; and</li> <li>• Compared the methodology used for fair value adjustments to current market practice. We revalued a sample of valuation adjustments, compared funding and credit spreads to third party data and challenged the basis for determining illiquid credit spreads.</li> </ul> <p>Where differences between our independent valuation and management's valuation were outside our thresholds, we performed additional testing to assess the impact on the valuation of financial instruments.</p> <p>Throughout our audit procedures we considered the continuing uncertainty arising from the current macro-economic environment including market volatility. In addition, we assessed whether there were any indicators of aggregate bias in financial instrument marking and methodology assumptions.</p>	<p>We concluded that assumptions used by management to estimate the fair value of financial instruments with higher risk characteristics and the recognition of related income were reasonable. We highlighted the following matters to the Audit Committee:</p> <ul style="list-style-type: none"> <li>• Complex model-dependent valuations were appropriate based on the output of our independent revaluations;</li> <li>• Fair values of derivative transactions, debt securities in issue, unlisted equity investments, loans, debt and other financial instruments valued using pricing information with limited observability were not materially misstated as at 31 December 2022, based on the output of our independent calculations; and</li> <li>• Valuation adjustments in respect of credit, funding, own credit and other risks applied to derivative portfolios and debt securities in issue were appropriate, based on our analysis of market data and benchmarking of pricing information.</li> </ul>

The key audit matters remain consistent from prior year, except that following the decline of the Covid-19 pandemic and the associated decrease in related uncertainties, the key audit matter in respect of the impairment of non-financial assets has become limited to the impairment assessment of goodwill and investments in subsidiary undertakings.

### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

#### Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be \$234 million (2021: \$195 million), which is 5% (2021: 5%) of adjusted PBT. This reflects actual PBT adjusted for non-recurring items relating to restructuring costs and impairment of China Bohai Bank. We believe that adjusted PBT provides us with the most appropriate measure for the users of the financial statements, given the Group is profit making, it is consistent with the wider industry, it is the standard for listed and regulated entities and we believe it reflects the most relevant measure for users of the financial statements. We also believe that the adjustments are appropriate as they relate to material non-recurring items.



## Starting basis

- Statutory profit before tax – \$4,286m

## Adjustments

- Restructuring – \$95m
- China Bohai bank impairment – \$308m

## Materiality

- Totals \$4,689m Adjusted PBT
- Materiality of \$234m (5% of Adjusted PBT)

During the course of our audit, we performed a reassessment of our initial materiality. This assessment resulted in higher final materiality calculated based on the actual financial performance of the Group for the year. There were no changes to the basis for materiality calculation from the planning stage.

We determined materiality for the Parent Company to be \$210million (2021: \$176 million) which is 0.4% (2021: 0.33%) of the equity of the Parent Company. We believe that equity provides us with the most appropriate measure for the users of the Parent Company's financial statements, given that the Parent Company is primarily a holding company.

### Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2021: 50%) of our planning materiality, namely \$117 million (2021: \$98 million). We have set performance materiality at this percentage based on a variety of risk assessment factors such as the expectation of misstatements, internal control environment considerations and other factors such as the global complexity of the Group.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative size and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was \$8.8 million to \$34.1 million (2021: \$8 million to \$29 million).

### Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of \$11 million (2021: \$10 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

When forming our opinion, we evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above as well as other relevant qualitative criteria.

### Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 509, including the Strategic report (pages 1 to 133), the Directors' report (pages 134 to 230), the Statement of directors' responsibilities (page 231) and the information not marked as 'audited' in the Risk review and Capital review section (pages 232 to 325), and the Supplementary information (pages 474 to 509), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 219;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 132 and 133;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 133;
- Directors' statement on fair, balanced and understandable set out on page 218;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 222;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 232 to 325; and
- The section describing the work of the audit committee set out on pages 163 to 169.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 231, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK-adopted IAS and EU IFRS, the Companies Act 2006 and the UK Corporate Governance Code, the Financial Conduct Authority (FCA) Listing Rules, the Main Board Listing Rules of the Hong Kong Stock Exchange), regulations and supervisory requirements of the Prudential Regulation Authority (PRA), FRC, FCA and other overseas regulatory requirements, including but not limited to regulations in its major markets such as Hong Kong, India, Singapore, the United States of America, and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to regulatory capital and liquidity, conduct, financial crime including anti-money laundering, sanctions and market abuse recognising the financial and regulated nature of the Group's activities.

- We understood how the Group is complying with those frameworks by performing a combination of inquiries of senior management and those charged with governance as required by auditing standards, review of board and certain committee meeting minutes, gaining an understanding of the Group's approach to governance, inspection of regulatory correspondence in the year and engaging with internal and external legal counsel. We also engaged EY financial crime and forensics specialists to perform procedures on areas relating to anti-money laundering, whistleblowing, and sanctions compliance. Through these procedures, we became aware of actual or suspected non-compliance. The identified actual or suspected non-compliance was not sufficiently significant to our audit that would have resulted in being identified as a key audit matter.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. Our procedures to address the risks identified also included incorporation of unpredictability into the nature, timing and/or extent of our testing, challenging assumptions and judgements made by management in their significant accounting estimates and journal entry testing.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of the Group's internal and external legal counsel, money laundering reporting officer, internal audit, certain senior management executives and focused testing on a sample basis, including journal entry testing. We also performed inspection of key regulatory correspondence from the relevant regulatory authorities as well as review of board and committee minutes.
- For instances of actual or suspected non-compliance with laws and regulations, which have a material impact on the financial statements, these were communicated by management to the Group audit engagement team and component teams (where applicable) who performed audit procedures such as inquiries with management, sending confirmations to external legal counsel, substantive testing and meeting with regulators. Where appropriate, we involved specialists from our firm to support the audit team.
- The Group is authorised to provide banking, insurance, mortgages and home finance, consumer credit, pensions, investments and other activities. The Group operates in the banking industry which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the Group audit engagement team, the component teams and the shared service centre teams to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## Other matters we are required to address

- Following the recommendation from the Audit Committee, we were re-appointed by the Company at the Annual General Meeting on 4 May 2022 to audit the financial statements for the year ending 31 December 2022 and subsequent financial periods.

The period of total uninterrupted engagement is three years, covering the years ended 31 December 2020 to 31 December 2022.

- The audit opinion is consistent with the additional report to the Audit Committee.

## Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young LLP*

## David Canning Jones (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

16 February 2023



# Consolidated income statement

For the year ended 31 December 2022

	Notes	2022 \$million	2021 \$million
Interest income		15,252	10,246
Interest expense		(7,659)	(3,448)
<b>Net interest income</b>	3	<b>7,593</b>	6,798
Fees and commission income		3,972	4,458
Fees and commission expense		(859)	(736)
<b>Net fees and commission income</b>	4	<b>3,113</b>	3,722
Net trading income	5	5,310	3,431
Other operating income	6	302	750
<b>Operating income</b>		<b>16,318</b>	14,701
Staff costs		(7,618)	(7,668)
Premises costs		(401)	(387)
General administrative expenses		(1,708)	(1,688)
Depreciation and amortisation		(1,186)	(1,181)
<b>Operating expenses</b>	7	<b>(10,913)</b>	(10,924)
<b>Operating profit before impairment losses and taxation</b>		<b>5,405</b>	3,777
Credit impairment	8	(836)	(254)
Goodwill, property, plant and equipment and other impairment	9	(439)	(372)
Profit from associates and joint ventures	32	156	196
<b>Profit before taxation</b>		<b>4,286</b>	3,347
Taxation	10	(1,384)	(1,034)
<b>Profit for the year</b>		<b>2,902</b>	2,313
<b>Profit attributable to:</b>			
Non-controlling interests	29	(46)	(2)
Parent company shareholders		2,948	2,315
<b>Profit for the year</b>		<b>2,902</b>	2,313
		<b>cents</b>	cents
<b>Earnings per share:</b>			
Basic earnings per ordinary share	12	85.9	61.3
Diluted earnings per ordinary share	12	84.3	60.4

The notes on pages 348 to 473 form an integral part of these financial statements.

# Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Notes	2022 \$million	2021 \$million
<b>Profit for the year</b>		<b>2,902</b>	2,313
<b>Other comprehensive (loss)/income:</b>			
<b>Items that will not be reclassified to income statement:</b>		<b>(75)</b>	309
Own credit (losses)/gains on financial liabilities designated at fair value through profit or loss		<b>(56)</b>	43
Equity instruments at fair value through other comprehensive income		<b>(75)</b>	169
Actuarial gains on retirement benefit obligations	30	<b>41</b>	179
Taxation relating to components of other comprehensive income	10	<b>15</b>	(82)
<b>Items that may be reclassified subsequently to income statement:</b>		<b>(3,703)</b>	(1,081)
Exchange differences on translation of foreign operations:			
Net losses taken to equity		<b>(2,466)</b>	(791)
Net gains on net investment hedges		<b>512</b>	118
Share of other comprehensive (loss)/income from associates and joint ventures	32	<b>(79)</b>	10
Debt instruments at fair value through other comprehensive income:			
Net valuation losses taken to equity		<b>(1,528)</b>	(386)
Reclassified to income statement		<b>207</b>	(157)
Net impact of expected credit losses		<b>118</b>	31
Cash flow hedges:			
Net movements in cash flow hedge reserve <sup>1</sup>	14	<b>(619)</b>	20
Taxation relating to components of other comprehensive income	10	<b>152</b>	74
<b>Other comprehensive loss for the year, net of taxation</b>		<b>(3,778)</b>	(772)
<b>Total comprehensive (loss)/income for the year</b>		<b>(876)</b>	1,541
<b>Total comprehensive (loss)/income attributable to:</b>			
Non-controlling interests	29	<b>(88)</b>	(17)
Parent company shareholders		<b>(788)</b>	1,558
<b>Total comprehensive (loss)/income for the year</b>		<b>(876)</b>	1,541

<sup>1</sup> This line item has been represented in 2022 as a net balance of all movements in the cash flow hedge reserve

# Consolidated balance sheet

As at 31 December 2022

	Notes	2022 \$million	2021 \$million
<b>Assets</b>			
Cash and balances at central banks	13,35	58,263	72,663
Financial assets held at fair value through profit or loss	13	105,812	129,121
Derivative financial instruments	13,14	63,717	52,445
Loans and advances to banks	13,15	39,519	44,383
Loans and advances to customers	13,15	310,647	298,468
Investment securities	13	172,448	163,437
Other assets	20	50,383	49,932
Current tax assets	10	503	766
Prepayments and accrued income		3,149	2,176
Interests in associates and joint ventures	32	1,631	2,147
Goodwill and intangible assets	17	5,869	5,471
Property, plant and equipment	18	5,522	5,616
Deferred tax assets	10	834	859
Assets classified as held for sale	21	1,625	334
<b>Total assets</b>		<b>819,922</b>	<b>827,818</b>
<b>Liabilities</b>			
Deposits by banks	13	28,789	30,041
Customer accounts	13	461,677	474,570
Repurchase agreements and other similar secured borrowing	13,16	2,108	3,260
Financial liabilities held at fair value through profit or loss	13	79,903	85,197
Derivative financial instruments	13,14	69,862	53,399
Debt securities in issue	13,22	61,242	61,293
Other liabilities	23	43,527	44,314
Current tax liabilities	10	583	348
Accruals and deferred income		5,895	4,651
Subordinated liabilities and other borrowed funds	13,27	13,715	16,646
Deferred tax liabilities	10	769	800
Provisions for liabilities and charges	24	383	453
Retirement benefit obligations	30	146	210
Liabilities included in disposal groups held for sale	21	1,307	-
<b>Total liabilities</b>		<b>769,906</b>	<b>775,182</b>
<b>Equity</b>			
Share capital and share premium account	28	6,930	7,022
Other reserves		8,165	11,805
Retained earnings		28,067	27,184
<b>Total parent company shareholders' equity</b>		<b>43,162</b>	<b>46,011</b>
Other equity instruments	28	6,504	6,254
<b>Total equity excluding non-controlling interests</b>		<b>49,666</b>	<b>52,265</b>
Non-controlling interests	29	350	371
<b>Total equity</b>		<b>50,016</b>	<b>52,636</b>
<b>Total equity and liabilities</b>		<b>819,922</b>	<b>827,818</b>

The notes on pages 348 to 473 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 16 February 2023 and signed on its behalf by:



**José Viñals**  
Group Chairman



**Bill Winters**  
Group Chief Executive



**Andy Halford**  
Group Chief Financial Officer



# Consolidated statement of changes in equity

For the year ended 31 December 2022

	Ordinary share capital and share premium account \$million	Preference share capital and share premium account \$million	Capital and merger reserves <sup>1</sup> \$million	Own credit adjustment reserve \$million	Fair value through other comprehensive income reserve – debt \$million	Fair value through other comprehensive income reserve – equity \$million	Cash-flow hedge reserve \$million	Translation reserve \$million	Retained earnings \$million	Parent company shareholders' equity \$million	Other equity instruments \$million	Non-controlling interests \$million	Total \$million
As at 1 January 2021	5,564	1,494	17,207	(52)	529	148	(52)	(5,092)	26,140	45,886	4,518	325	50,729
Profit/(loss) for the year	–	–	–	–	–	–	–	–	2,315	2,315	–	(2)	2,313
Other comprehensive income/(loss)	–	–	–	37	(426)	101	18	(662)	175 <sup>2</sup>	(757)	–	(15)	(772)
Distributions	–	–	–	–	–	–	–	–	–	–	–	(31)	(31)
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	–	–	2,728	–	2,728
Redemption of other equity instruments	–	–	–	–	–	–	–	–	(51)	(51)	(992)	–	(1,043)
Treasury shares net movement	–	–	–	–	–	–	–	–	(235)	(235)	–	–	(235)
Share option expenses	–	–	–	–	–	–	–	–	147	147	–	–	147
Dividends on ordinary shares	–	–	–	–	–	–	–	–	(374)	(374)	–	–	(374)
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	–	(410)	(410)	–	–	(410)
Share buy-back <sup>3,4</sup>	(39)	–	39	–	–	–	–	–	(506)	(506)	–	–	(506)
Other movements	3	–	–	–	–	–	–	10	(17) <sup>5</sup>	(4)	–	94 <sup>6</sup>	90
<b>As at 31 December 2021</b>	<b>5,528</b>	<b>1,494</b>	<b>17,246</b>	<b>(15)</b>	<b>103</b>	<b>249</b>	<b>(34)</b>	<b>(5,744)</b>	<b>27,184</b>	<b>46,011</b>	<b>6,254</b>	<b>371</b>	<b>52,636</b>
Profit/(loss) for the year	–	–	–	–	–	–	–	–	2,948	2,948	–	(46)	2,902
Other comprehensive (loss)/income	–	–	–	(48)	(1,219)	(43)	(530)	(1,904)	8 <sup>2</sup>	(3,736)	–	(42)	(3,778)
Distributions	–	–	–	–	–	–	–	–	–	–	–	(31)	(31)
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	–	–	1,240	–	1,240
Redemption of other equity instruments	–	–	–	–	–	–	–	–	–	–	(999)	–	(999)
Treasury shares net movement	–	–	–	–	–	–	–	–	(203)	(203)	–	–	(203)
Share option expenses	–	–	–	–	–	–	–	–	163	163	–	–	163
Dividends on ordinary shares	–	–	–	–	–	–	–	–	(393)	(393)	–	–	(393)
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	–	(401)	(401)	–	–	(401)
Share buy-back <sup>7,8</sup>	(92)	–	92	–	–	–	–	–	(1,258)	(1,258)	–	–	(1,258)
Other movements	–	–	–	–	–	–	–	12 <sup>5</sup>	19 <sup>9</sup>	31	9 <sup>5</sup>	98 <sup>10</sup>	138
<b>As at 31 December 2022</b>	<b>5,436</b>	<b>1,494</b>	<b>17,338</b>	<b>(63)</b>	<b>(1,116)</b>	<b>206</b>	<b>(564)</b>	<b>(7,636)</b>	<b>28,067</b>	<b>43,162</b>	<b>6,504</b>	<b>350</b>	<b>50,016</b>

1 Includes capital reserve of \$5 million, capital redemption reserve of \$222 million and merger reserve of \$17,111 million

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

3 On 25 February 2021, the Group announced the buy-back programme for a share buy-back of its ordinary shares of \$0.50 each. Nominal value of share purchases was \$19 million, and the total consideration paid was \$255 million (including \$2 million of fees and stamp duty). The total number of shares purchased was 37,148,399 representing 1.18 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account

4 On 3 August 2021, the Group announced the buy-back programme for a share buy-back of its ordinary shares of \$0.50 each. Nominal value of share purchases was \$20 million, and the total consideration paid was \$251 million (including \$1 million of fees and stamp duty). The total number of shares purchased was 39,914,763 representing 1.28 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account

5 Movement related to Translation adjustment and AT1 Securities charges

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

7 On 18 February 2022, the Group announced the buy-back programme for a share buy-back of its ordinary shares of \$0.50 each. Nominal value of share purchases was \$56 million, and the total consideration paid was \$754 million (including \$4 million of fees and stamp duty), the buy-back completed on 19 May 2022. The total number of shares purchased was 111,295,408, representing 3.61 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account

8 On 1 August 2022, the Group announced the buy-back programme for a share buy-back of its ordinary shares of \$0.50 each. Nominal value of share purchases was \$37 million, and the total consideration paid was \$504 million (including \$2.5 million of fees). The total number of shares purchased was 73,073,837 representing 2.5 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account

9 Movement mainly related to \$21million non-controlling interest on Power2SME Pte Limited, \$8 million on CurrencyFair and (\$9) million related to AT1 securities charges

10 Movements related to non-controlling interest from Mox Bank Limited (\$39 million), Trust Bank Singapore Ltd (\$47 million), Zodia Markets Holdings Ltd (\$3 million) and Power2SME Pte Limited (\$9million)

Note 28 includes a description of each reserve.

The notes on pages 348 to 473 form an integral part of these financial statements.

# Cash flow statement

For the year ended 31 December 2022

	Notes	Group		Company	
		2022 \$million	2021 \$million	2022 \$million	2021 \$million
<b>Cash flows from operating activities:</b>					
Profit before taxation		4,286	3,347	402	2,090
Adjustments for non-cash items and other adjustments included within income statement	34	3,549	2,104	565	(1,201)
Change in operating assets	34	(545)	(37,904)	(258)	(5,366)
Change in operating liabilities	34	8,786	45,954	(966)	3,123
Contributions to defined benefit schemes	30	(80)	(122)	–	–
UK and overseas taxes paid	10	(821)	(1,161)	–	–
<b>Net cash from/(used in) operating activities</b>		<b>15,175</b>	<b>12,218</b>	<b>(257)</b>	<b>(1,354)</b>
<b>Cash flows from investing activities:</b>					
Internally generated capitalised software	17	(1,096)	(989)	–	–
Purchase of property, plant and equipment	18	(835)	(352)	–	–
Disposal of property, plant and equipment	18	343	816	–	–
Disposal of held for sale property, plant and equipment	21	79	149	–	–
Acquisition of investment associates, and joint ventures, net of cash acquired	32	(26)	(35)	–	–
Dividends received from subsidiaries, associates and joint ventures	32	58	38	1,047	2,244
Purchase of investment securities		(280,952)	(299,468)	–	–
Disposal and maturity of investment securities		259,853	290,846	960	1,650
<b>Net cash (used in)/from investing activities</b>		<b>(22,576)</b>	<b>(8,995)</b>	<b>2,007</b>	<b>3,894</b>
<b>Cash flows from financing activities:</b>					
Exercise of share options		12	7	12	7
Purchase of own shares		(215)	(242)	(215)	(242)
Cancellation of shares including share buy-back		(1,258)	(506)	(1,258)	(506)
Premises and equipment lease liability principal payment		(269)	(278)	–	–
Issue of AT1 capital, net of expenses	28	1,240	2,728	1,240	2,728
Redemption of AT1 Capital	28	(999)	(1,043)	(999)	(1,043)
Gross proceeds from issue of subordinated liabilities	34	750	1,137	750	1,137
Interest paid on subordinated liabilities	34	(667)	(580)	(619)	(576)
Repayment of subordinated liabilities	34	(1,848)	(546)	(1,800)	(546)
Proceeds from issue of senior debts	34	11,902	10,944	1,500	2,250
Repayment of senior debts	34	(7,838)	(9,945)	(2,980)	(5,408)
Interest paid on senior debts	34	(845)	(690)	(506)	(504)
Net cash inflow from non-controlling interest	29	88	94	–	–
Distributions and dividends paid to non-controlling interests, preference shareholders and AT1 securities		(432)	(441)	(401)	(410)
Dividends paid to ordinary shareholders		(393)	(374)	(393)	(374)
<b>Net cash (used in)/from financing activities</b>		<b>(772)</b>	<b>265</b>	<b>(5,669)</b>	<b>(3,487)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(8,173)</b>	<b>3,488</b>	<b>(3,919)</b>	<b>(947)</b>
Cash and cash equivalents at beginning of the year		99,605	97,874	11,336	12,283
Effect of exchange rate movements on cash and cash equivalents		(2,713)	(1,757)	–	–
<b>Cash and cash equivalents at end of the year<sup>1</sup></b>	35	<b>88,719</b>	<b>99,605</b>	<b>7,417</b>	<b>11,336</b>

1 Comprises cash and balances at central banks \$58,263 million (2021: \$72,663 million), treasury bills and other eligible bills \$17,936 million (2021: \$9,132 million), loans and advances to banks \$20,558 million (2021: \$24,788 million), trading securities \$1,135 million (2021: \$1,174 million) less restricted balances \$9,173 million (2021: \$8,152 million)

Interest received was \$14,590 million (2021: \$10,167 million), interest paid was \$6,200 million (2021: \$3,591 million).

# Company balance sheet

For the year ended 31 December 2022

	Notes	2022 \$million	2021 \$million
<b>Non-current assets</b>			
Investments in subsidiary undertakings	32	60,975	60,429
<b>Current assets</b>			
Derivative financial instruments	39	61	320
Financial assets held at fair value through profit or loss	39	15,358	15,647
Investment securities	39	8,423	9,424
Amounts owed by subsidiary undertakings	39	7,417	11,336
<b>Total current assets</b>		31,259	36,727
<b>Current liabilities</b>			
Derivative financial instruments	39	1,343	339
Amounts owed to subsidiary undertakings		2	–
Financial liabilities held at fair value through profit or loss	39	12,842	11,804
Other creditors		423	462
<b>Total current liabilities</b>		14,610	12,605
<b>Net current assets</b>		16,649	24,122
<b>Total assets less current liabilities</b>		77,624	84,551
<b>Non-current liabilities</b>			
Debt securities in issue	39	13,891	16,809
Subordinated liabilities and other borrowed funds	39	11,239	13,830
<b>Total non-current liabilities</b>		25,130	30,639
<b>Total assets less liabilities</b>		52,494	53,912
<b>Equity</b>			
Share capital and share premium account	28	6,930	7,022
Other reserves		17,271	17,220
Retained earnings		21,791	23,418
<b>Total shareholders' equity</b>		45,992	47,660
Other equity instruments	28	6,502	6,252
<b>Total equity</b>		52,494	53,912

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these financial statements. The Company profit for the period after tax is \$471 million (2021: \$2,081 million).

The notes on pages 348 to 473 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 16 February 2023 and signed on its behalf by:



**José Viñals**  
Group Chairman



**Bill Winters**  
Group Chief Executive



**Andy Halford**  
Group Chief Financial Officer



# Company statement of changes in equity

For the year ended 31 December 2022

	Share capital and share premium account \$million	Capital and merger reserve <sup>1</sup> \$million	Own credit adjustment reserve \$million	Cash flow hedge reserve \$million	Retained earnings \$million	Other equity instruments \$million	Total \$million
As at 1 January 2021	7,058	17,207	(18)	(11)	22,774	4,516	51,526
Profit for the year <sup>2</sup>	–	–	–	–	2,081	–	2,081
Other comprehensive income/(loss)	–	–	4	(1)	–	–	3
Other equity instruments issued, net of expenses	–	–	–	–	–	2,728	2,728
Treasury shares purchased	–	–	–	–	(242)	–	(242)
Treasury shares issued	–	–	–	–	7	–	7
Share option expenses	–	–	–	–	147	–	147
Dividends on ordinary shares	–	–	–	–	(374)	–	(374)
Dividends on preference share and AT1 securities	–	–	–	–	(410)	–	(410)
Redemption of other equity instruments	–	–	–	–	(51)	(992)	(1,043)
Share buy-back <sup>3,4</sup>	(39)	39	–	–	(506)	–	(506)
Other movements <sup>5</sup>	3	–	–	–	(8)	–	(5)
<b>As at 31 December 2021</b>	<b>7,022</b>	<b>17,246</b>	<b>(14)</b>	<b>(12)</b>	<b>23,418</b>	<b>6,252</b>	<b>53,912</b>
Profit for the year <sup>2</sup>	–	–	–	–	471	–	471
Other comprehensive loss	–	–	(5)	(36)	–	–	(41)
Other equity instruments issued, net of expenses	–	–	–	–	–	1,240	1,240
Treasury shares purchased	–	–	–	–	(215)	–	(215)
Treasury shares issued	–	–	–	–	12	–	12
Share option expenses	–	–	–	–	163	–	163
Dividends on ordinary shares	–	–	–	–	(393)	–	(393)
Dividends on preference share and AT1 securities	–	–	–	–	(401)	–	(401)
Redemption of other equity instruments	–	–	–	–	–	(999)	(999)
Share buy-back <sup>6,7</sup>	(92)	92	–	–	(1,258)	–	(1,258)
Other movements <sup>5</sup>	–	–	–	–	(6)	9	3
<b>As at 31 December 2022</b>	<b>6,930</b>	<b>17,338</b>	<b>(19)</b>	<b>(48)</b>	<b>21,791</b>	<b>6,502</b>	<b>52,494</b>

1 Includes capital reserve of \$5 million, capital redemption reserve of \$222 million and merger reserve of \$17,111 million

2 Includes dividend received of \$550 million (2021: \$1,511 million) from Standard Chartered Holding Limited

3 On 25 February 2021, the Group announced the buy-back programme for a share buy-back of its ordinary shares of \$0.50 each. Nominal value of share purchases was \$19 million, and the total consideration paid was \$255 million (including \$2 million of fees and stamp duty). The total number of shares purchased was 37,148,399 representing 1.18 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account

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5 Movement mainly related to AT1 securities charges

6 On 18 February 2022, the Group announced the buy-back programme for a share buy-back of its ordinary shares of \$0.50 each. Nominal value of share purchases was \$56 million, and the total consideration paid was \$754 million (including \$4 million of fees and stamp duty), the buy-back completed on 19 May 2022. The total number of shares purchased was 111,295,408, representing 3.61 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account

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Note 28 includes a description of each reserve.

The notes on pages 348 to 473 form an integral part of these financial statements.

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# Notes to the financial statements

## 1. Accounting policies

### Statement of compliance

The Group financial statements consolidate Standard Chartered PLC (the Company) and its subsidiaries (together referred to as the Group) and equity account the Group's interests in associates and jointly controlled entities. The parent company financial statements present information about the Company as a separate entity.

The Group financial statements have been prepared in accordance with UK-adopted international accounting standards and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU IFRS). The Company financial statements have been prepared in accordance with UK-adopted international accounting standards as applied in conformity with section 408 of the Companies Act 2006. The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

There are no significant differences between UK-adopted international accounting standards and EU IFRS.

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

- a) Risk review: Disclosures marked as 'audited' from the start of the Credit Risk section (page 236) to the end of Other principal risks in the same section (page 319).
- b) Capital review: Tables marked as 'audited' from the start of 'CRD Capital base' to the end of 'Movement in total capital', excluding 'Total risk-weighted assets' (pages 321 to 322).

### Basis of preparation

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

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

### Significant and other accounting estimates and judgement

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty and judgement, are set out in the relevant disclosure notes for the areas set out under the relevant headings below:

### Significant accounting estimates and critical judgements

Significant accounting estimates and judgements represent those items which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year. Significant accounting estimates and judgements are:

- Credit impairment, including evaluation of management overlays and post-model adjustments, and determination of probability weightings for Stage 3 individually assessed provisions (Note 8)
- Financial instruments measured at fair value (Note 13)
- Investments in subsidiary undertakings, joint ventures and associates – China Bohai associate accounting and impairment analysis (Note 32)

### Other areas of accounting estimate and judgement

Other areas of accounting estimate and judgement do not meet the definition under IAS 1 of significant accounting estimates or critical accounting judgements, but the recognition of certain material assets and liabilities are based on assumptions and/or are subject to long-term uncertainties. The other areas of accounting estimate and judgement are:

- Taxation (Note 10)
- Goodwill impairment (Note 17)
- Property, plant and equipment (Note 18)
- Recoverable amounts for aircraft operating lease assets (Note 18)
- Retirement benefit obligations (Note 30)
- Provisions for liabilities and charges (Note 24)
- Share-based payments (Note 31)

### Climate impact on the Group's balance sheet

Climate, and the impact of climate on the Group's balance sheet is considered as an area of significant accounting estimate and judgment through the uncertainty of future events and the impact of that uncertainty on the Group's assets and liabilities. It is noted that although not currently quantitatively material, the Group considers climate to be qualitatively material to the Group.

The Group has assessed the impact of climate risk on the financial report. This is set out within the Sustainable and Responsible Business chapter on pages 64 to 66 which incorporates the Group's Climate-related Financial Disclosures which align with the recommendations from the Task Force for Climate related Financial Disclosures (TCFD). Further risk disclosure has been provided on pages 301 and 319 of the Principal Risks and Uncertainties section of the Annual Report where the Group has described how it manages climate risk as an Integrated Risk Type.

## 1. Accounting policies continued

The areas of impact and where judgements and the use of estimates have been applied were credit risk and the impact on lending portfolios; Environmental, Sustainability or Governance (ESG) features within issued loans and bonds; physical risk on our mortgage lending portfolio; and, the corporate plan, in respect of which forward looking cash flows impact the recoverability of certain assets, including of goodwill, deferred tax assets and investments in subsidiary undertakings.

This assessment on the corporate loan portfolio was undertaken by considering the maturity profile of the loan portfolio which is majority shorter term. Transition risk, as our clients move to lower carbon emitting revenues, (either by virtue of legislation or changing end customer preference) is considered with reference to client transition pathways and manifests over a longer term than the maturity of the loan book (up to 2050). Further transition risk is managed through reviews of clients with ESG risk by the Group's Risk function, and through an ongoing process of identifying clients which have transition pathways that are Paris 1.5 degree compliant and congruent with the Groups.

Physical risk is already included within the majority of our mortgage lending and we have applied scenario analysis against the pathways of different temperature additions and country policy scenarios. We also assess the impact of climate risk on the classification of financial instruments under IFRS 9, when ESG triggers may affect the cash flows received by the Group under the contractual terms of the instrument.

The Group Climate Risk team have performed a top-down quantitative assessment of the impact of climate risk on the IFRS 9 ECL provision. This assessment has been performed across both the CCIB and CPBB portfolios. CCIB includes Corporates, Sovereign, Asset Backed Securities, Commercial and Specialised Lending. CPBB includes Mortgages, Personal Loans and Credit Cards. The climate adjusted ECL was estimated by adding climate scalars (multiplicative adjustments) to the business as usual ECL. The scalars, such as LGD increases, have been informed by the judgement of using three Network of Central Banks and Supervisors for Greening the Financial System (NGFS) pathways/scenarios, being Early Action, Late Action and No Additional Action. These pathways have been probability weighted and generally include the addition of carbon charges/taxes over time to model transition risk. The impact assessment which is considered a resulted in an marginal ECL increase across CCIB and CPBB which will not be recorded as an overlay for the 2022 year end (in line with our view that the quantitative impact of Climate Risk is currently limited).

The Group's corporate plan has a 5 year outlook and already includes where we have committed to transitioning away from certain high carbon sectors (i.e. coal), offset by transition finance opportunities. This is shorter term than many of the climate scenario outlooks but seeks to capture the nearer term performance as required by recoverability models. We have for the first time in the 2023 corporate plan included anticipated ECL charges linked to climate for three sectors (Oil and Gas, Metals and Mining and Power) over the 5 years. This addition of ECL has not in itself, impacted the recoverability of assets supported by discounted cash flow models (such as Value in Use) which utilise the corporate plan.

With the aim to enhance our internal scenario analysis capabilities in line with our Risk Appetite Statement, in 2022 we assessed the impact on our CCIB corporate client portfolio based on three International Energy Agency (IEA) scenarios and three Phase 2 scenarios from the NGFS (Which align to the CBES scenarios) and participated in the Monetary Authority of Singapore Industry-Wide Stress Test. We also assessed the impact of sea level rises under various Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCP) scenarios to explore the Physical Risk impact on the Consumer, Private and Business Banking (CPBB) residential mortgage portfolio over short- and long-term time horizons for internal risk management purposes. Notwithstanding these challenges, our work to date, using certain assumptions and proxies, indicates that our business is resilient to all Network of Central Banks and Supervisors for Greening the Financial System (NGFS) and IEA scenarios that were explored.

The Group, although acknowledging the limitations of current data available, increasing sophistication of models evolving and nascent nature of climate impacts on internal and client assets, considers Climate Risk to have limited quantitative impact in the immediate term and as a longer term risk will be addressed through its business strategy and financial planning as the Group implements its net zero journey.

### IFRS and Hong Kong accounting requirements

As required by the Hong Kong Listing Rules, an explanation of the differences in accounting practices between UK-adopted IFRS and Hong Kong Financial Reporting Standards is required to be disclosed. There would be no significant differences had these accounts been prepared in accordance with Hong Kong Financial Reporting Standards.

### Comparatives

Certain comparatives have been restated in line with current year disclosures. Details of these changes are set out in the relevant sections and notes below:

- Note 2 Segmental information
- Note 4 Net fees and commission
- Note 12 Earnings per ordinary share
- Note 13 Financial instruments
- Note 14 Derivative financial instruments
- Note 33 Structured entities
- Note 36 Related party transactions
- Risk review: various credit risk tables for new segment Ventures and Operational Risk events and losses
- Capital review: new segment Ventures

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

#### IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued in May 2017 (and subsequently amended in June 2020) to replace IFRS 4 Insurance Contracts and to establish a comprehensive standard for inceptors of insurance policies. The Group will apply IFRS 17 for annual reporting periods beginning on January 1, 2023. IFRS 17 will not have a material impact on the Group's financial statements.



## 1. Accounting policies continued

### Going concern

These financial statements were approved by the Board of directors on 16 February 2023. 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:

- Review of the Group Strategy and Corporate Plan
- 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 both the Bank of England annual stress test and a Group Recovery and Resolution Plan (RRP) as submitted to the PRA. Both these submissions include the application of stressed scenarios including; COVID additional waves with the accompanying economic shocks, credit impact and short term liquidity shocks. Under the tests and through the range of scenarios, the results of these exercises and the RRP demonstrate that the Group has sufficient capital and liquidity to continue as a going concern and meet minimum regulatory capital and liquidity requirements

- Analysis of the capital, funding and liquidity position of the Group, including the capital and leverage ratios, and ICAAP which summarises the Group's capital and risk assessment processes, assesses its capital requirements and the adequacy of resources to meet them. Further, funding and liquidity was considered in the context of the risk appetite metrics, including the ADR and LCR ratios
- The Group's Internal Liquidity Adequacy Assessment Process (ILAAP), which considers the Group's liquidity position, its framework and whether sufficient liquidity resources are being maintained to meet liabilities as they fall due, was also reviewed
- The level of debt in issue, including redemptions and issuances during the year, debt falling due for repayment in the next 12 months and further planned debt issuances, including the appetite in the market for the Group's debt
- A detailed review of all principal and emerging risks

Based on the analysis performed, the directors confirm they are satisfied that the Group has adequate resources to continue in business for a period of at least 12 months from 16 February 2023. For this reason, the Group continues to adopt the going concern basis of accounting for preparing the financial statements.

## 2. Segmental information

### Basis of preparation

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

### Segments and regions

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

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

- SC Ventures is the platform and catalyst for the Group to promote innovation, invest in disruptive financial technology and explore alternative business models
- Mox, a cloud-native, mobile only digital bank, was launched in Hong Kong as a joint venture with HKT, PCCW and Ctrip in September 2020
- Trust Bank was launched in Singapore in partnership with FairPrice Group, the nation's leading grocery retailer, in September 2022

The changes above require comparative periods to be restated.

## 2. Segmental information continued

### Restructuring items excluded from underlying results

The Group's statutory IFRS performance is adjusted for certain items to arrive at alternative performance measures. These items include profits or losses of a capital nature, amounts consequent to investment transactions driven by strategic intent, other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period and items which management and investors would ordinarily identify separately when assessing consistent performance period by period. The alternative performance measures are not within the scope of IFRS and not a substitute for IFRS measures. These adjustments are set out below.

Restructuring charges of \$174 million primarily relate to redundancies partly offset by income from the Principal Finance and Ship Leasing portfolios.

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

	2022					
	Underlying \$million	Regulatory fine \$million	Restructuring \$million	Net gain on businesses disposed of/ held for sale \$million	Goodwill and other impairment <sup>1</sup> \$million	Statutory \$million
Operating income	16,255	–	43	20	–	16,318
Operating expenses	(10,743)	–	(170)	–	–	(10,913)
Operating profit/(loss) before impairment losses and taxation	5,512	–	(127)	20	–	5,405
Credit impairment	(838)	–	2	–	–	(836)
Other impairment	(79)	–	(38)	–	(322)	(439)
Profit from associates and joint ventures	167	–	(11)	–	–	156
<b>Profit/(loss) before taxation</b>	<b>4,762</b>	<b>–</b>	<b>(174)</b>	<b>20</b>	<b>(322)</b>	<b>4,286</b>

	2021					
	Underlying \$million	Regulatory fine \$million	Restructuring \$million	Net gain on businesses disposed of/ held for sale \$million	Goodwill and other impairment <sup>1</sup> \$million	Statutory \$million
Operating income	14,713	–	(32)	20	–	14,701
Operating expenses	(10,375)	(62)	(487)	–	–	(10,924)
Operating profit/(loss) before impairment losses and taxation	4,338	(62)	(519)	20	–	3,777
Credit impairment	(263)	–	9	–	–	(254)
Other impairment	(55)	–	(17)	–	(300)	(372)
Profit from associates and joint ventures	176	–	20	–	–	196
<b>Profit/(loss) before taxation</b>	<b>4,196</b>	<b>(62)</b>	<b>(507)</b>	<b>20</b>	<b>(300)</b>	<b>3,347</b>

<sup>1</sup> Goodwill and other impairment include \$308 million impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai). The 2021 comparative has been restated for consistency to reclassify the \$300 million impairment from Other impairment within Underlying profit to Goodwill and other impairment

## 2. Segmental information continued

## Underlying performance by client segment

	2022				
	Corporate, Commercial Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million
<b>Operating income</b>	<b>10,045</b>	<b>6,016</b>	<b>29</b>	<b>165</b>	<b>16,255</b>
External	8,899	4,989	29	2,338	16,255
Inter-segment	1,146	1,027	–	(2,173)	–
<b>Operating expenses</b>	<b>(5,480)</b>	<b>(4,148)</b>	<b>(336)</b>	<b>(779)</b>	<b>(10,743)</b>
<b>Operating profit/(loss) before impairment losses and taxation</b>	<b>4,565</b>	<b>1,868</b>	<b>(307)</b>	<b>(614)</b>	<b>5,512</b>
Credit impairment	(425)	(262)	(16)	(135)	(838)
Other impairment	(40)	(10)	(24)	(5)	(79)
Profit from associates and joint ventures	–	–	(16)	183	167
<b>Underlying profit/(loss) before taxation</b>	<b>4,100</b>	<b>1,596</b>	<b>(363)</b>	<b>(571)</b>	<b>4,762</b>
Restructuring	(50)	(63)	(1)	(60)	(174)
Goodwill and other impairment <sup>4</sup>	–	–	–	(322)	(322)
Other items	–	–	–	20	20
<b>Statutory profit/(loss) before taxation</b>	<b>4,050</b>	<b>1,533</b>	<b>(364)</b>	<b>(933)</b>	<b>4,286</b>
<b>Total assets</b>	<b>401,567</b>	<b>133,956</b>	<b>2,451</b>	<b>281,948</b>	<b>819,922</b>
Of which: loans and advances to customers	184,254	130,985	702	41,789	357,730
loans and advances to customers	139,756	130,957	702	39,232	310,647
loans held at fair value through profit or loss (FVTPL) <sup>2</sup>	44,498	28	–	2,557	47,083
<b>Total liabilities</b>	<b>479,981</b>	<b>185,396</b>	<b>1,658</b>	<b>102,871</b>	<b>769,906</b>
Of which: customer accounts <sup>3</sup>	332,176	180,659	1,548	5,846	520,229

	2021 (Restated) <sup>1</sup>				
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million
<b>Operating income</b>	<b>8,407</b>	<b>5,735</b>	<b>1</b>	<b>570</b>	<b>14,713</b>
External	7,952	5,375	1	1,385	14,713
Inter-segment	455	360	–	(815)	–
<b>Operating expenses</b>	<b>(5,278)</b>	<b>(4,227)</b>	<b>(253)</b>	<b>(617)</b>	<b>(10,375)</b>
<b>Operating profit/(loss) before impairment losses and taxation</b>	<b>3,129</b>	<b>1,508</b>	<b>(252)</b>	<b>(47)</b>	<b>4,338</b>
Credit impairment	44	(282)	(3)	(22)	(263)
Other impairment	(49)	–	–	(6)	(55)
Profit from associates and joint ventures	–	–	(6)	182	176
<b>Underlying profit/(loss) before taxation</b>	<b>3,124</b>	<b>1,226</b>	<b>(261)</b>	<b>107</b>	<b>4,196</b>
Restructuring	(114)	(235)	(3)	(155)	(507)
Goodwill and other impairment <sup>4</sup>	–	–	–	(300)	(300)
Other items	–	–	20	(62)	(42)
<b>Statutory profit/(loss) before taxation</b>	<b>3,010</b>	<b>991</b>	<b>(244)</b>	<b>(410)</b>	<b>3,347</b>
<b>Total assets</b>	<b>405,778</b>	<b>139,364</b>	<b>1,098</b>	<b>281,578</b>	<b>827,818</b>
Of which: loans and advances to customers	208,729	136,477	88	24,409	369,703
loans and advances to customers	139,335	136,410	88	22,635	298,468
loans held at fair value through profit or loss (FVTPL) <sup>2</sup>	69,394	67	–	1,774	71,235
<b>Total liabilities</b>	<b>481,397</b>	<b>182,210</b>	<b>766</b>	<b>110,809</b>	<b>775,182</b>
Of which: customer accounts <sup>3</sup>	351,696	178,088	689	11,982	542,455

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment in 2022. Prior periods have been restated. Ventures is comprised of Mox, Trust Bank & SC Ventures; a large part of Ventures income is from Digital banks in current year

2 Loans held at FVTPL includes \$40,537 million (2021: \$61,282 million) of repurchase agreements

3 Customer accounts includes \$11,706 million (2021: \$9,291 million) of FVTPL and \$46,846 million (2021: \$58,594 million) of repurchase agreements

4 Goodwill and other impairment include \$308 million impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai). The 2021 comparative has been restated for consistency to reclassify the \$300 million impairment from Other impairment within Underlying profit to Goodwill and Other impairment

## 2. Segmental information continued

### Operating income by client segment

	2022				
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million
<b>Underlying operating income</b>	<b>10,045</b>	<b>6,016</b>	<b>29</b>	<b>165</b>	<b>16,255</b>
Restructuring	41	–	–	2	43
Other items	–	–	–	20	20
<b>Statutory operating income</b>	<b>10,086</b>	<b>6,016</b>	<b>29</b>	<b>187</b>	<b>16,318</b>
2021 (Restated) <sup>1</sup>					
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million
<b>Underlying operating income</b>	<b>8,407</b>	<b>5,735</b>	<b>1</b>	<b>570</b>	<b>14,713</b>
Restructuring	9	–	–	(41)	(32)
Other items	–	–	20	–	20
<b>Statutory operating income</b>	<b>8,416</b>	<b>5,735</b>	<b>21</b>	<b>529</b>	<b>14,701</b>

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

### Underlying performance by region

	2022				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
<b>Operating income</b>	<b>11,213</b>	<b>2,606</b>	<b>2,353</b>	<b>83</b>	<b>16,255</b>
<b>Operating expenses</b>	<b>(6,867)</b>	<b>(1,669)</b>	<b>(1,564)</b>	<b>(643)</b>	<b>(10,743)</b>
<b>Operating profit/(loss) before impairment losses and taxation</b>	<b>4,346</b>	<b>937</b>	<b>789</b>	<b>(560)</b>	<b>5,512</b>
Credit impairment	(790)	(120)	77	(5)	(838)
Other impairment	(47)	2	(3)	(31)	(79)
Profit from associates and joint ventures	179	–	–	(12)	167
<b>Underlying profit/(loss) before taxation</b>	<b>3,688</b>	<b>819</b>	<b>863</b>	<b>(608)</b>	<b>4,762</b>
Restructuring	(75)	(29)	(23)	(47)	(174)
Goodwill and other impairment <sup>1</sup>	(308)	–	–	(14)	(322)
Other items	20	–	–	–	20
<b>Statutory profit/(loss) before taxation</b>	<b>3,325</b>	<b>790</b>	<b>840</b>	<b>(669)</b>	<b>4,286</b>
<b>Total assets</b>	<b>488,399</b>	<b>53,086</b>	<b>268,960</b>	<b>9,477</b>	<b>819,922</b>
Of which: loans and advances to customers	270,892	23,857	62,981	–	357,730
loans and advances to customers	257,171	21,570	31,906	–	310,647
loans held at fair value through profit or loss (FVTPL) <sup>2</sup>	13,721	2,287	31,075	–	47,083
<b>Total liabilities</b>	<b>441,349</b>	<b>40,902</b>	<b>219,701</b>	<b>67,954</b>	<b>769,906</b>
Of which: customer accounts <sup>3</sup>	346,832	31,860	141,537	–	520,229



## 2. Segmental information continued

	2021				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
<b>Operating income</b>	10,448	2,446	2,003	(184)	14,713
<b>Operating expenses</b>	(6,773)	(1,623)	(1,485)	(494)	(10,375)
<b>Operating profit/(loss) before impairment losses and taxation</b>	3,675	823	518	(678)	4,338
Credit impairment	(434)	34	144	(7)	(263)
Other impairment	–	(1)	(18)	(36)	(55)
Profit from associates and joint ventures	175	–	–	1	176
<b>Underlying profit/(loss) before taxation</b>	3,416	856	644	(720)	4,196
Restructuring	(286)	(25)	(69)	(127)	(507)
Goodwill and other impairment <sup>1</sup>	(300)	–	–	–	(300)
Other items	–	–	–	(42)	(42)
<b>Statutory profit/(loss) before taxation</b>	2,830	831	575	(889)	3,347
Total assets	483,950	57,405	277,008	9,455	827,818
Of which: loans and advances to customers	265,744	27,600	76,359	–	369,703
loans and advances to customers	243,861	25,177	29,430	–	298,468
loans held at fair value through profit or loss (FVTPL) <sup>2</sup>	21,883	2,423	46,929	–	71,235
Total liabilities	434,200	41,260	233,915	65,807	775,182
Of which: customer accounts <sup>3</sup>	355,792	34,701	151,962	–	542,455

1 Goodwill and other impairment include \$308 million impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai). The 2021 comparative has been restated for consistency to reclassify the \$300 million impairment from Other impairment within Underlying profit to Goodwill and Other impairment.

2 Loans held at FVTPL includes \$40,537 million (FY'21 \$61,282 million) of repurchase agreements

3 Customer accounts includes \$11,706 million (FY'21 \$9,291 million) of FVTPL and \$46,846 million (FY'21 \$58,594 million) of repurchase agreements

## Operating income by region

	2022				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
<b>Underlying operating income</b>	<b>11,213</b>	<b>2,606</b>	<b>2,353</b>	<b>83</b>	<b>16,255</b>
Restructuring	23	2	(1)	19	43
Other items	20	–	–	–	20
<b>Statutory operating income</b>	<b>11,256</b>	<b>2,608</b>	<b>2,352</b>	<b>102</b>	<b>16,318</b>

	2021				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
<b>Underlying operating income</b>	10,448	2,446	2,003	(184)	14,713
Restructuring	30	3	(30)	(35)	(32)
Other items	–	–	–	20	20
<b>Statutory operating income</b>	10,478	2,449	1,973	(199)	14,701

## 2. Segmental information continued

### Additional segmental information (statutory)

	2022				
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million
Net interest income	3,616	3,969	18	(10)	7,593
Net fees and commission income	1,706	1,524	8	(125)	3,113
Net trading and other income	4,764	523	3	322	5,612
<b>Operating income</b>	<b>10,086</b>	<b>6,016</b>	<b>29</b>	<b>187</b>	<b>16,318</b>

2021 (Restated) <sup>1</sup>					
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million
Net interest income	3,267	3,216	(2)	317	6,798
Net fees and commission income	1,784	2,003	1	(66)	3,722
Net trading and other income	3,365	516	22	278	4,181
<b>Operating income</b>	<b>8,416</b>	<b>5,735</b>	<b>21</b>	<b>529</b>	<b>14,701</b>

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

### Additional segmental information (statutory) continued

	2022				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
Net interest income	5,747	1,299	260	287	7,593
Net fees and commission income	2,224	526	526	(163)	3,113
Net trading and other income	3,285	783	1,566	(22)	5,612
<b>Operating income</b>	<b>11,256</b>	<b>2,608</b>	<b>2,352</b>	<b>102</b>	<b>16,318</b>

2021					
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
Net interest income	5,069	1,190	490	49	6,798
Net fees and commission income	2,764	614	547	(203)	3,722
Net trading and other income	2,645	645	936	(45)	4,181
<b>Operating income</b>	<b>10,478</b>	<b>2,449</b>	<b>1,973</b>	<b>(199)</b>	<b>14,701</b>

	2022									
	Hong Kong \$million	Korea \$million	China \$million	Taiwan \$million	Singapore \$million	India \$million	Indonesia \$million	UAE \$million	UK \$million	US \$million
Net interest income	1,843	751	561	171	982	611	89	281	(189)	330
Net fees and commission income	658	157	143	162	553	239	52	81	44	393
Net trading and other income	1,235	237	450	141	380	377	73	268	1,167	306
<b>Operating income</b>	<b>3,736</b>	<b>1,145</b>	<b>1,154</b>	<b>474</b>	<b>1,915</b>	<b>1,227</b>	<b>214</b>	<b>630</b>	<b>1,022</b>	<b>1,029</b>

2021										
	Hong Kong \$million	Korea \$million	China \$million	Taiwan \$million	Singapore \$million	India \$million	Indonesia \$million	UAE \$million	UK \$million	US \$million
Net interest income	1,422	724	589	178	742	706	90	229	220	198
Net fees and commission income	902	213	192	218	664	240	54	101	21	414
Net trading and other income	1,148	174	306	98	192	336	69	216	624	206
<b>Operating income</b>	<b>3,472</b>	<b>1,111</b>	<b>1,087</b>	<b>494</b>	<b>1,598</b>	<b>1,282</b>	<b>213</b>	<b>546</b>	<b>865</b>	<b>818</b>

### 3. Net interest income

#### Accounting policy

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

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

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

	2022 \$million	2021 \$million
Balances at central banks	765	92
Loans and advances to banks	853	490
Loans and advances to customers	10,032	7,347
Debt securities	2,836	1,787
Other eligible bills	630	303
Accrued on impaired assets (discount unwind) <sup>1</sup>	136	227
<b>Interest income</b>	<b>15,252</b>	<b>10,246</b>
Of which: financial instruments held at fair value through other comprehensive income	2,167	1,541
Deposits by banks	433	136
Customer accounts	5,443	2,196
Debt securities in issue	1,169	566
Subordinated liabilities and other borrowed funds	570	497
Interest expense on IFRS 16 lease liabilities	44	53
<b>Interest expense</b>	<b>7,659</b>	<b>3,448</b>
<b>Net interest income</b>	<b>7,593</b>	<b>6,798</b>

1. Includes a \$117 million (2021: \$171 million) adjustment in relation to interest earned on impaired assets as required by IFRS9 Financial Instruments Recognition and Measurement

### 4. Net fees and commission

#### Accounting policy

Fees and commissions charged for services provided by the Group are recognised as revenue when the Group satisfies the performance obligations to the customer. Services provided by the Group are either satisfied at point in time or over time. Fees and commission income are measured based on the consideration specified in the contract with the customer.

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

## 4. Net fees and commission continued

The Group applies the following practical expedients:

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

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

### Transaction Banking

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

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

### Financial Markets

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

Syndication fees are recognised when the syndication is complete, defined as achieving the final approved hold position. Fees are generally received before completion of the syndication, or within 12 months of the transaction date.

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

### Wealth Management

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

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

### Retail Products

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

Credit card annual fees are recognised over the service period. In most of our retail markets there are circumstances under which fees are waived, income recognition is adjusted to reflect customer's intent to pay the annual fee. The Group defers the fair value of reward points on its credit card reward programmes, and recognises income and costs associated with fulfilling the reward at the time of redemption.



## 4. Net fees and commission continued

	2022 \$million	2021 \$million
<b>Fees and commissions income</b>	<b>3,972</b>	<b>4,458</b>
Of which:		
Financial instruments that are not fair valued through profit or loss	1,306	1,282
Trust and other fiduciary activities	520	703
<b>Fees and commissions expense</b>	<b>(859)</b>	<b>(736)</b>
Of which:		
Financial instruments that are not fair valued through profit or loss	(303)	(234)
Trust and other fiduciary activities	(49)	(49)
<b>Net fees and commission</b>	<b>3,113</b>	<b>3,722</b>

	2022				
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other Items (Segment) \$million	Total \$million
Transaction Banking	1,143	32	–	–	1,175
Trade	594	25	–	–	619
Cash Management	549	7	–	–	556
Financial Markets	958	–	–	–	958
Lending & Portfolio Management	124	5	–	–	129
Principal Finance	–	–	–	–	–
Wealth Management	–	1,127	–	–	1,127
Retail Products	–	582	12	–	594
Treasury	–	–	–	(5)	(5)
Others	–	(2)	8	(11)	(5)
<b>Fees and commission income</b>	<b>2,225</b>	<b>1,744</b>	<b>20</b>	<b>(16)</b>	<b>3,972</b>
Fees and commission expense	(519)	(220)	(12)	(109)	(859)
<b>Net fees and commission</b>	<b>1,706</b>	<b>1,524</b>	<b>8</b>	<b>(125)</b>	<b>3,113</b>

	2021 (Restated) <sup>1,3</sup>				
	Corporate, Commercial & Institutional Banking <sup>1</sup> \$million	Consumer, Private & Business Banking <sup>1</sup> \$million	Ventures \$million	Central & other Items (Segment) \$million	Total \$million
Transaction Banking	1,003	39	–	–	1,042
Trade	572	27	–	–	599
Cash Management	431	12	–	–	443
Financial Markets	956	–	–	–	956
Lending & Portfolio Management	146	1	–	–	147
Principal Finance	(5)	–	–	–	(5)
Wealth Management	1	1,585	–	–	1,586
Retail Products	–	614	3	–	617
Treasury	–	–	–	2	2
Others	–	33	34	46	113
<b>Fees and commission income<sup>2</sup></b>	<b>2,101</b>	<b>2,272</b>	<b>37</b>	<b>48</b>	<b>4,458</b>
Fees and commission expense <sup>2</sup>	(317)	(269)	(36)	(114)	(736)
<b>Net fees and commission<sup>2</sup></b>	<b>1,784</b>	<b>2,003</b>	<b>1</b>	<b>(66)</b>	<b>3,722</b>

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

2 Fees & commission by segments was presented on a net basis in 2021. The presentation has been changed to gross basis for Fees & commission income and expense. Prior period has been restated.

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

\$59 million of amortisation of capitalised acquisition costs on credit cards have been recorded as fee and commission expense in 2022 as against interest income until last year. The corresponding impact for 2021 was \$60 million, but the comparatives have not been restated based on materiality.

#### 4. Net fees and commission continued

Upfront bancassurance consideration amounts are amortised on a straight-line basis over the contractual period to which the consideration relates. Deferred income on the balance sheet in respect of these activities is \$549 million (2021: \$634 million). The income will be earned evenly over the next 6.5 years (2021: 7.5 years). For the twelve months ended 31 December 2022, \$84 million of fee income was released from deferred income (2021: \$84 million).

The Group has recognised revenue of \$160 million from one of its bancassurance contracts based on confirmation from the counterparty that the annual performance bonus will be paid to the Group for the year ended 31 December 2022.

#### 5. Net trading income

##### Accounting policy

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

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

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

	2022 \$million	2021 \$million
Net trading income	5,310	3,431
Significant items within net trading income include:		
Gains on instruments held for trading <sup>1</sup>	4,942	3,381
Gains on financial assets mandatorily at fair value through profit or loss	1,087	181
Losses on financial assets designated at fair value through profit or loss	(6)	(8)
Losses on financial liabilities designated at fair value through profit or loss	(677)	(133)

<sup>1</sup> Includes \$365 million gain (2021: \$339 million gain) from the translation of foreign currency monetary assets and liabilities

#### 6. Other operating income

##### Accounting policy

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

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

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

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

	2022 \$million	2021 \$million
Other operating income includes:		
Rental income from operating lease assets	421	463
Net (loss)/gain on disposal of fair value through other comprehensive income debt instruments	(207)	157
Net gain on amortised cost financial assets	17	22
Net (loss)/gain on sale of businesses	(1)	20
Dividend income	14	14
Gain on sale of aircrafts	21	23
Other	37	51
<b>Other operating income</b>	<b>302</b>	<b>750</b>

## 7. Operating expenses

### Accounting policy

Short-term employee benefits: salaries and social security expenses are recognised over the period in which the employees provide the service. Variable compensation is included within share-based payments costs and wages and salaries. Further details are disclosed in the Directors' remuneration report (pages 184 to 205).

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

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

	2022 \$million	2021 \$million
Staff costs:		
Wages and salaries	6,014	5,834
Social security costs	210	209
Other pension costs (Note 30)	390	377
Share-based payment costs (Note 31)	199	167
Other staff costs	805	1,081
	<b>7,618</b>	<b>7,668</b>

Other staff costs include redundancy expenses of \$79 million (2021: \$328 million). Further costs in this category include training, travel costs and other staff-related costs.

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

	2022			2021		
	Business	Support services	Total	Business	Support services	Total
At 31 December	30,619	52,647	83,266	30,614	51,343	81,957
Average for the year	31,133	51,854	82,987	31,468	51,268	82,736

The Company employed Nil staff at 31 December 2022 (2021: Nil) and it incurred costs of Nil (2021: \$1 million).

Details of directors' pay, benefits, pensions and benefits and interests in shares are disclosed in the Directors' remuneration report (pages 184 to 205).

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

	2022 \$million	2021 \$million
Premises and equipment expenses	401	387
General administrative expenses:		
UK bank levy	102	100
Provision for regulatory matters	14	62
Other general administrative expenses	1,592	1,526
	<b>1,708</b>	<b>1,688</b>
Depreciation and amortization:		
Property, plant and equipment:		
Premises	326	370
Equipment	123	129
Operating lease assets	202	213
	<b>651</b>	<b>712</b>
Intangibles:		
Software	531	461
Acquired on business combinations	4	8
	<b>1,186</b>	<b>1,181</b>
<b>Total operating expenses</b>	<b>10,913</b>	<b>10,924</b>

Operating expenses include research expenditure of \$946 million (2021: \$945 million), which was recognised as an expense in the year.

The UK bank levy is applied on the chargeable equity and liabilities on the balance sheet of UK operations. Key exclusions from chargeable equity and liabilities include Tier 1 capital, insured or guaranteed retail deposits, repos secured on certain sovereign debt and liabilities subject to netting. The rates are 0.10 per cent for short-term liabilities and 0.05 per cent for long-term liabilities.

## 8. Credit impairment

### Accounting policy

#### Significant accounting estimates and judgements

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

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

The calculation of credit impairment provisions also involves expert credit judgement to be applied by the credit risk management team based upon counterparty information they receive from various sources including relationship managers and on external market information. Details on the approach for determining ECL can be found in the credit risk section, under IFRS 9 Methodology (page 236).

Estimates of forecasts of key macroeconomic variables underlying the ECL calculation can be found within the Risk review, Key assumptions and judgements in determining expected credit loss (page 271).

#### Expected credit losses

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

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

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

#### Measurement

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

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

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

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

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

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



## 8. Credit impairment continued

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

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

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

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

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

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

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

### Recognition

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

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

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

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

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

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

## 8. Credit impairment continued

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

- Evidence that a financial asset is credit-impaired includes observable data about the following events:
- Significant financial difficulty of the issuer or borrower;
- Breach of contract such as default or a past due event;
- For economic or contractual reasons relating to the borrower's financial difficulty, the lenders of the borrower have granted the borrower concession/s that lenders would not otherwise consider. This would include forbearance actions (page 256);
- Pending or actual bankruptcy or other financial reorganisation to avoid or delay discharge of the borrower's obligation/s;
- The disappearance of an active market for the applicable financial asset due to financial difficulties of the borrower;
- Purchase or origination of a financial asset at a deep discount that reflects incurred credit losses

Lending commitments to a credit-impaired obligor that have not yet been drawn down are included to the extent that the commitment cannot be withdrawn. Loss provisions against credit-impaired financial assets are determined based on an assessment of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate. The loss provisions held represent the difference between the present value of the expected cash flows, discounted at the instrument's original effective interest rate, and the gross carrying value (including contractual interest due but not paid) of the instrument prior to any credit impairment. The Group's definition of default is aligned with the regulatory definition of default as set out in the UK's onshore capital requirements regulations (Art 178).

### Expert credit judgement

For Corporate & Institutional, Commercial and Private Banking, borrowers are graded by credit risk management on a credit grading (CG) scale from CG1 to CG14. Once a borrower starts to exhibit credit deterioration, it will move along the credit grading scale in the performing book and when it is classified as CG12 the credit assessment and oversight of the loan will continue to be managed by the business with support from the Stressed Assets Group for certain accounts.

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

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

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

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

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

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

### Modified financial instruments

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

## 8. Credit impairment continued

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

### Forborne loans

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

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

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

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

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

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

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

### Improvement in credit risk/curing

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

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

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

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

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

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

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

## 8. Credit impairment continued

	2022 \$million	2021 \$million
Net credit impairment on loans and advances to banks and customers	743	258
Net credit impairment on debt securities <sup>1</sup>	122	26
Net credit impairment relating to financial guarantees and loan commitments	(27)	(30)
Net credit impairment relating to other financial assets	(2)	–
<b>Credit impairment<sup>1</sup></b>	<b>836</b>	<b>254</b>

<sup>1</sup> Includes impairment of \$13 million (2021: Nil) on originated credit-impaired debt securities

## 9. Goodwill, fixed asset, and other impairment

### Accounting policy

Refer to the below referenced notes for the relevant accounting policy.

	2022 \$million	2021 \$million
Impairment of goodwill (Note 17)	14	–
Impairment of property, plant and equipment (Note 18)	50	106
Impairment of other intangible assets (Note 17)	12	4
Other <sup>1</sup>	363	262
Property, plant and equipment and other impairment	425	372
<b>Goodwill, property, plant and equipment and other impairment</b>	<b>439</b>	<b>372</b>

<sup>1</sup> Other includes a \$308 million impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai) to reflect the challenges and uncertainty in the outlook for the banking industry and property markets in China (\$300 million in 2021)

## 10. Taxation

### Accounting policy

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

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

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

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

### Other accounting estimates and judgements

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

## 10. Taxation continued

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

	2022 \$million	2021 \$million
The charge for taxation based upon the profit for the year comprises:		
<b>Current tax:</b>		
United Kingdom corporation tax at 19 per cent (2021: 19 per cent):		
Current tax charge on income for the year	48	–
Adjustments in respect of prior years (including double tax relief)	–	9
Foreign tax:		
Current tax charge on income for the year	1,216	896
Adjustments in respect of prior years	5	(26)
	1,269	879
<b>Deferred tax:</b>		
Origination/reversal of temporary differences	144	218
Adjustments in respect of prior years	(29)	(63)
	115	155
<b>Tax on profits on ordinary activities</b>	<b>1,384</b>	<b>1,034</b>
<b>Effective tax rate</b>	<b>32.3%</b>	<b>30.9%</b>

The tax charge for the year \$1,384 million (31 December 2021: \$1,034 million) on a profit before tax of \$4,286 million (31 December 2021: \$3,347 million) reflects the impact of countries with tax rates higher or lower than the UK, the most significant of which is India, non-deductible expenses and non-creditable withholding taxes.

Foreign tax includes current tax of \$35 million (31 December 2021: \$78 million) on the profits assessable in Hong Kong. Deferred tax includes origination or reversal of temporary differences of \$51 million (31 December 2021: \$39 million) provided at a rate of 16.5 per cent (31 December 2021: 16.5 per cent) on the profits assessable in Hong Kong.

The Organisation for Economic Co-operation and Development/G20 Inclusive Framework on Base Erosion and Profit Shifting seeks to address the tax challenges arising from the digitalisation of the global economy. Pillar Two of the Global anti-Base Erosion rules represents the first substantial overhaul of international tax rules in almost a century. It proposes four new taxing mechanisms under which multi-national enterprises would pay a minimum level of tax. An income inclusion rule, an under-taxed payment rule and a qualified domestic minimum top up tax together generally propose a minimum tax of 15% on income arising in each jurisdiction in which the multi-national enterprise operates. A subject to tax rule that is treaty-based generally proposes a minimum tax on certain cross-border intercompany transactions. Enactment is currently expected to occur with effect from 1 January 2024. The Group is closely monitoring developments to assess potential future implications and implementation efforts.

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

	2022		2021	
	\$million	%	\$million	%
<b>Profit on ordinary activities before tax</b>	<b>4,286</b>		<b>3,347</b>	
Tax at 19 per cent (2021: 19 per cent)	814	19.0	636	19.0
Lower tax rates on overseas earnings	(122)	(2.8)	(93)	(2.8)
Higher tax rates on overseas earnings	435	10.1	366	10.9
Tax at domestic rates applicable where profits earned	1,127	26.3	909	27.1
Non-creditable withholding taxes	90	2.1	120	3.6
Tax exempt income	(69)	(1.6)	(85)	(2.5)
Share of associates and joint ventures	(27)	(0.6)	(33)	(1.0)
Non-deductible expenses <sup>1</sup>	115	2.7	167	5.0
Regulatory fine	–	–	12	0.4
Bank levy	19	0.4	19	0.6
Non-taxable losses on investments <sup>1</sup>	51	1.2	50	1.5
Payments on financial instruments in reserves	(56)	(1.3)	(62)	(1.9)
Goodwill impairment	3	0.1	–	–
Deferred tax not recognised	77	1.8	54	1.6
Deferred tax assets written-off	–	–	1	–
Deferred tax rate changes	(9)	(0.2)	–	–
Adjustments to tax charge in respect of prior years	(24)	(0.6)	(80)	(2.4)
Other items	87	2.0	(38)	(1.1)
<b>Tax on profit on ordinary activities</b>	<b>1,384</b>	<b>32.3</b>	<b>1,034</b>	<b>30.9</b>

<sup>1</sup> The 2021 comparatives have been reclassified as follows to align with presentation in the current period: Non-taxable losses on investments from \$nil to \$50m, Non-deductible expenses from \$217m to \$167m



## 10. Taxation continued

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

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

Tax recognised in other comprehensive income	2022			2021		
	Current tax \$million	Deferred tax \$million	Total \$million	Current tax \$million	Deferred tax \$million	Total \$million
Items that will not be reclassified to income statement	–	15	15	–	(82)	(82)
Own credit adjustment	–	8	8	–	(6)	(6)
Equity instruments at fair value through other comprehensive income	–	27	27	–	(59)	(59)
Retirement benefit obligations	–	(20)	(20)	–	(17)	(17)
Items that may be reclassified subsequently to income statement	–	152	152	–	74	74
Debt instruments at fair value through other comprehensive income	–	63	63	–	76	76
Cash flow hedges	–	89	89	–	(2)	(2)
<b>Total tax credit/(charge) recognised in equity</b>	<b>–</b>	<b>167</b>	<b>167</b>	<b>–</b>	<b>(8)</b>	<b>(8)</b>

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

Current tax comprises:	2022 \$million	2021 \$million
Current tax assets	766	808
Current tax liabilities	(348)	(660)
<b>Net current tax opening balance</b>	<b>418</b>	<b>148</b>
Movements in income statement	(1,269)	(879)
Movements in other comprehensive income	–	–
Taxes paid	821	1,161
Other movements	(50)	(12)
<b>Net current tax balance as at 31 December</b>	<b>(80)</b>	<b>418</b>
Current tax assets	503	766
Current tax liabilities	(583)	(348)
<b>Total</b>	<b>(80)</b>	<b>418</b>

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

	At 1 January 2022 \$million	Exchange & other adjustments \$million	(Charge)/credit to profit \$million	(Charge)/credit to equity \$million	At 31 December 2022 \$million
<b>Deferred tax comprises:</b>					
Accelerated tax depreciation	(515)	(8)	(66)	–	(589)
Impairment provisions on loans and advances	351	(41)	24	–	334
Tax losses carried forward	263	16	(67)	–	212
Fair value through other comprehensive income	(126)	(1)	24	90	(13)
Cash flow hedges	–	–	–	89	89
Own credit adjustment	(3)	–	–	8	5
Retirement benefit obligations	27	(5)	–	(20)	2
Share-based payments	32	–	4	–	36
Other temporary differences	30	(7)	(34)	–	(11)
<b>Net deferred tax assets</b>	<b>59</b>	<b>(46)</b>	<b>(115)</b>	<b>167</b>	<b>65</b>

## 10. Taxation continued

	At 1 January 2021 \$million	Exchange & other adjustments \$million	(Charge)/credit to profit \$million	(Charge)/credit to equity \$million	At 31 December 2021 \$million
<b>Deferred tax comprises:</b>					
Accelerated tax depreciation	(493)	4	(26)	–	(515)
Impairment provisions on loans and advances	419	12	(80)	–	351
Tax losses carried forward	282	(3)	(16)	–	263
Fair value through other comprehensive income	(146)	5	(2)	17	(126)
Cash flow hedges	2	–	–	(2)	–
Own credit adjustment	3	–	–	(6)	(3)
Retirement benefit obligations	36	13	(5)	(17)	27
Share-based payments	23	–	9	–	32
Other temporary differences	98	(33)	(35)	–	30
<b>Net deferred tax assets</b>	<b>224</b>	<b>(2)</b>	<b>(155)</b>	<b>(8)</b>	<b>59</b>

Deferred tax comprises assets and liabilities as follows:

	2022			2021		
	Total \$million	Asset \$million	Liability \$million	Total \$million	Asset \$million	Liability \$million
<b>Deferred tax comprises:</b>						
Accelerated tax depreciation	(589)	1	(590)	(515)	18	(533)
Impairment provisions on loans and advances	334	339	(5)	351	389	(38)
Tax losses carried forward	212	90	122	263	172	91
Fair value through other comprehensive income	(13)	45	(58)	(126)	(22)	(104)
Cash flow hedges	89	85	4	–	(3)	3
Own credit adjustment	5	(1)	6	(3)	(1)	(2)
Retirement benefit obligations	2	15	(13)	27	16	11
Share-based payments	36	5	31	32	–	32
Other temporary differences	(11)	255	(266)	30	290	(260)
	<b>65</b>	<b>834</b>	<b>(769)</b>	<b>59</b>	<b>859</b>	<b>(800)</b>

At 31 December 2022, the Group has net deferred tax assets of \$65 million (31 December 2021: \$59 million). The recoverability of the Group's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised.

Of the Group's total deferred tax assets, \$212 million relates to tax losses carried forward. These tax losses have arisen in individual legal entities and will be offset as future taxable profits arise in those entities.

- \$113 million of the deferred tax assets relating to losses has arisen in Ireland, where there is no expiry date for unused tax losses. These losses relate to aircraft leasing and are expected to be fully utilised over the useful economical life of the assets being up to 18 years.
- \$51 million of the deferred tax assets relating to losses has arisen in the US. Management forecasts show that the losses are expected to be fully utilised over a period of two years.

The remaining deferred tax assets of \$48 million relating to losses have arisen in other jurisdictions and are expected to be recovered in less than 10 years.

## Unrecognised deferred tax

	Net 2022 \$million	Gross 2022 \$million	Net 2021 \$million	Gross 2021 \$million
<b>No account has been taken of the following potential deferred tax assets/(liabilities):</b>				
Withholding tax on unremitted earnings from overseas subsidiaries and associates	(507)	(6,434)	(426)	(5,544)
Tax losses	1,980	8,231	2,104	8,292
Held over gains on incorporation of overseas branches	(346)	(1,313)	(422)	(1,476)
Other temporary differences	544	1,991	208	790

## 11. Dividends

### Accounting policy

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

The Board considers a number of factors prior to dividend declaration which includes the rate of recovery in the Group's financial performance, the macroeconomic environment, and opportunities to further invest in our business and grow profitably in our markets.

### Ordinary equity shares

	2022		2021	
	Cents per share	\$million	Cents per share	\$million
2021/2020 final dividend declared and paid during the year	9	274	9	282
2022/2021 interim dividend declared and paid during the year	4	119	3	92

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

### 2022 recommended final ordinary equity share dividend

The 2022 ordinary equity share dividend recommended by the Board is 14 cents per share. The financial statements for the year ended 31 December 2022 do not reflect this dividend as this will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 December 2023.

The dividend will be paid in either pounds sterling, Hong Kong dollars or US dollars on 11 May 2023 to shareholders on the UK register of members at the close of business in the UK on 24 February 2023.

### Preference shares and Additional Tier 1 securities

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

	2022 \$million	2021 \$million
Non-cumulative redeemable preference shares: 7.014 per cent preference shares of \$5 each	53	53
6.409 per cent preference shares of \$5 each	20	13
	73	66
Additional Tier 1 securities: fixed rate resetting perpetual subordinated contingent convertible securities	328	344
	401	410

## 12. Earnings per ordinary share

### Accounting policy

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

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

The table below provides the basis of underlying earnings.

	2022 \$million	2021 (Restated) <sup>1</sup> \$million
<b>Profit for the period attributable to equity holders</b>	<b>2,902</b>	2,313
Non-controlling interest	46	2
Dividend payable on preference shares and AT1 classified as equity	(401)	(410)
<b>Profit for the period attributable to ordinary shareholders</b>	<b>2,547</b>	1,905
Items normalised:		
Provision for regulatory matters	–	62
Restructuring	174	507
Goodwill and other impairment (Note 9) <sup>1</sup>	322	300
Net gain on sale of businesses (Note 6)	(20)	(20)
Tax on normalised items <sup>2</sup>	(24)	(87)
<b>Underlying profit</b>	<b>2,999</b>	2,667
Basic – Weighted average number of shares (millions)	2,966	3,108
Diluted – Weighted average number of shares (millions)	3,023	3,154
<b>Basic earnings per ordinary share (cents)</b>	<b>85.9</b>	61.3
<b>Diluted earnings per ordinary share (cents)</b>	<b>84.3</b>	60.4
<b>Underlying basic earnings per ordinary share (cents)</b>	<b>101.1</b>	85.8
<b>Underlying diluted earnings per ordinary share (cents)</b>	<b>99.2</b>	84.6

1 Other Impairment includes \$308 million impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai). The 2021 comparative has been restated for consistency to reclassify the \$300 million impairment from Other impairment within Underlying profit which has resulted in the restatement of Underlying basic earnings per ordinary share (cents) and Underlying diluted earnings per ordinary share (cents)

2 No tax is included in respect of Goodwill and other impairment as no tax relief is available

## 13. Financial instruments

### Classification and measurement

#### Accounting policy

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

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

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

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

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

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

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

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

The Group's business model assessment is as follows:

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



### 13. Financial instruments continued

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cashflows (hold to collect) are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets (Hold to collect and sell) are classified as held at FVOCI. Both hold to collect and hold to collect and sell business models involve holding financial assets to collect the contractual cashflows. However, the business models are distinct by reference to the frequency and significance that asset sales play in meeting the objective under which a particular group of financial assets is managed. Hold to collect business models are characterised by asset sales that are incidental to meeting the objectives under which a group of assets is managed. Sales of assets under a hold to collect business model can be made to manage increases in the credit risk of financial assets but sales for other reasons should be infrequent or insignificant. Cashflows from the sale of financial assets under a hold to collect and sell business model by contrast are integral to achieving the objectives under which a particular group of financial assets are managed. This may be the case where frequent sales of financial assets are required to manage the Group's daily liquidity requirements or to meet regulatory requirements to demonstrate liquidity of financial instruments. Sales of assets under hold to collect and sell business models are therefore both more frequent and more significant in value than those under the hold to collect model.

#### Equity instruments designated as held at FVOCI

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

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

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

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

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

Trading, including:

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

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

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

#### Designated at fair value through profit or loss

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

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

#### Financial liabilities held at amortised cost

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

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

## 13. Financial instruments continued

### Financial guarantee contracts and loan commitments

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

### Fair value of financial assets and liabilities

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

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

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

### Initial recognition

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

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

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

### Subsequent measurement

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

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

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

#### Financial assets held at FVOCI

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

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

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

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

### 13. Financial instruments continued

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

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

#### Derecognition of financial instruments

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

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

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

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

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

#### Modified financial instruments

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

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

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

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

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

## 13. Financial instruments continued

### Reclassifications

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

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

### Reclassified from amortised cost

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

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

### Reclassified from fair value through other comprehensive income

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

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

### Reclassified from fair value through profit or loss

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

### 13. Financial instruments continued

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

Assets	Notes	Assets at fair value						Assets held at amortised cost \$million	Total \$million
		Trading \$million	Derivatives held for hedging \$million	Non-trading mandatorily at fair value through profit or loss \$million	Designated at fair value through profit or loss \$million	Fair value through other comprehensive income \$million	Total financial assets at fair value \$million		
Cash and balances at central banks		-	-	-	-	-	-	58,263	58,263
<b>Financial assets held at fair value through profit or loss</b>									
Loans and advances to banks <sup>1</sup>		976	-	-	-	-	976	-	976
Loans and advances to customers <sup>1</sup>		5,765	-	781	-	-	6,546	-	6,546
Reverse repurchase agreements and other similar secured lending	16	1,175	-	63,316	-	-	64,491	-	64,491
Debt securities, alternative tier one and other eligible bills		30,162	-	324	76	-	30,562	-	30,562
Equity shares		2,997	-	233	-	-	3,230	-	3,230
Other assets		-	-	7	-	-	7	-	7
		41,075	-	64,661	76	-	105,812	-	105,812
Derivative financial instruments	14	60,858	2,859	-	-	-	63,717	-	63,717
Loans and advances to banks <sup>1</sup>	15	-	-	-	-	-	-	39,519	39,519
of which – reverse repurchase agreements and other similar secured lending	16	-	-	-	-	-	-	978	978
Loans and advances to customers <sup>1</sup>	15	-	-	-	-	-	-	310,647	310,647
of which – reverse repurchase agreements and other similar secured lending	16	-	-	-	-	-	-	24,498	24,498
<b>Investment securities</b>									
Debt securities, alternative tier one and other eligible bills		-	-	-	-	111,926	111,926	59,714	171,640
Equity shares		-	-	-	-	808	808	-	808
		-	-	-	-	112,734	112,734	59,714	172,448
Other assets	20	-	-	-	-	-	-	39,295	39,295
Assets held for sale	21	-	-	-	3	-	3	1,388	1,391
<b>Total at 31 December 2022</b>		<b>101,933</b>	<b>2,859</b>	<b>64,661</b>	<b>79</b>	<b>112,734</b>	<b>282,266</b>	<b>508,826</b>	<b>791,092</b>

<sup>1</sup> Further analysed in Risk review and Capital review (pages 236 to 325)



### 13. Financial instruments continued

Assets	Notes	Assets at fair value						Assets held at amortised cost \$million	Total \$million
		Trading \$million	Derivatives held for hedging \$million	Non-trading mandatorily at fair value through profit or loss \$million	Designated at fair value through profit or loss \$million	Fair value through other comprehensive income \$million	Total financial assets at fair value \$million		
Cash and balances at central banks		–	–	–	–	–	–	72,663	72,663
<b>Financial assets held at fair value through profit or loss</b>									
Loans and advances to banks <sup>1</sup>		1,491	–	2,356	–	–	3,847	–	3,847
Loans and advances to customers <sup>1</sup>		5,813	–	4,140	–	–	9,953	–	9,953
Reverse repurchase agreements and other similar secured lending	16	–	–	80,009	–	–	80,009	–	80,009
Debt securities, alternative tier one and other eligible bills		28,801	–	463	161	–	29,425	–	29,425
Equity shares		5,653	–	208	–	–	5,861	–	5,861
Other assets		–	–	26	–	–	26	–	26
		41,758	–	87,202	161	–	129,121	–	129,121
Derivative financial instruments	14	51,002	1,443	–	–	–	52,445	–	52,445
Loans and advances to banks <sup>1</sup>	15	–	–	–	–	–	–	44,383	44,383
of which – reverse repurchase agreements and other similar secured lending	16	–	–	–	–	–	–	1,079	1,079
Loans and advances to customers <sup>1</sup>	15	–	–	–	–	–	–	298,468	298,468
of which – reverse repurchase agreements and other similar secured lending	16	–	–	–	–	–	–	7,331	7,331
<b>Investment securities</b>									
Debt securities, alternative tier one and other eligible bills		–	–	–	–	121,375	121,375	41,325	162,700
Equity shares		–	–	–	–	737	737	–	737
		–	–	–	–	122,112	122,112	41,325	163,437
Other assets	20	–	–	–	–	–	–	40,068	40,068
Assets held for sale	21	–	–	–	43	–	43	52	95
<b>Total at 31 December 2021</b>		<b>92,760</b>	<b>1,443</b>	<b>87,202</b>	<b>204</b>	<b>122,112</b>	<b>303,721</b>	<b>496,959</b>	<b>800,680</b>

1 Further analysed in Risk review and Capital review (pages 236 to 325)

## 13. Financial instruments continued

		Liabilities at fair value					
Liabilities	Notes	Trading \$million	Derivatives held for hedging \$million	Designated at fair value through profit or loss \$million	Total financial liabilities at fair value \$million	Amortised cost \$million	Total \$million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	1,066	1,066	–	1,066
Customer accounts		29	–	11,677	11,706	–	11,706
Repurchase agreements and other similar secured borrowing	16	–	–	51,706	51,706	–	51,706
Debt securities in issue	22	–	–	8,572	8,572	–	8,572
Short positions		6,847	–	–	6,847	–	6,847
Other liabilities		–	–	6	6	–	6
		6,876	–	73,027	79,903	–	79,903
Derivative financial instruments	14	65,316	4,546	–	69,862	–	69,862
Deposits by banks		–	–	–	–	28,789	28,789
Customer accounts		–	–	–	–	461,677	461,677
Repurchase agreements and other similar secured borrowing	16	–	–	–	–	2,108	2,108
Debt securities in issue	22	–	–	–	–	61,242	61,242
Other liabilities	23	–	–	–	–	42,915	42,915
Subordinated liabilities and other borrowed funds	27	–	–	–	–	13,715	13,715
Liabilities included in disposal groups held for sale	21	5	–	–	5	1,230	1,235
Total at 31 December 2022		72,197	4,546	73,027	149,770	611,676	761,446

Liabilities	Notes	Liabilities at fair value				Amortised cost \$million	Total \$million
		Trading \$million	Derivatives held for hedging \$million	Designated at fair value through profit or loss \$million	Total financial liabilities at fair value \$million		
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	1,352	1,352	–	1,352
Customer accounts		198	–	9,093	9,291	–	9,291
Repurchase agreements and other similar secured borrowing	16	–	–	62,388	62,388	–	62,388
Debt securities in issue	22	–	–	5,597	5,597	–	5,597
Short positions		6,562	–	–	6,562	–	6,562
Other liabilities		6	–	1	7	–	7
		6,766	–	78,431	85,197	–	85,197
Derivative financial instruments	14	52,706	693	–	53,399	–	53,399
Deposits by banks		–	–	–	–	30,041	30,041
Customer accounts		–	–	–	–	474,570	474,570
Repurchase agreements and other similar secured borrowing	16	–	–	–	–	3,260	3,260
Debt securities in issue	22	–	–	–	–	61,293	61,293
Other liabilities	23	–	–	–	–	43,432	43,432
Subordinated liabilities and other borrowed funds	27	–	–	–	–	16,646	16,646
Liabilities included in disposal groups held for sale	21	–	–	–	–	–	–
<b>Total at 31 December 2021</b>		<b>59,472</b>	<b>693</b>	<b>78,431</b>	<b>138,596</b>	<b>629,242</b>	<b>767,838</b>

## Interest rate benchmark reform

In 2017, the Financial Conduct Authority (FCA) announced that it had reached an agreement with LIBOR panel banks to contribute to LIBOR until the end of 2021, after which there would be a transition from LIBORs to alternative risk-free rates (RFRs). Since then, there have been further updates, particularly with respect to the cessation date for certain USD LIBOR tenors being deferred from 31 December 2021 to 30 June 2023.

## 13. Financial instruments continued

### How the Group is managing the transition to alternative benchmark rates

In 2018, the Group established its IBOR Transition Programme to manage the transition away from LIBOR. Senior management oversight for the Programme is provided by the Chief Executive Officers of CCIB and CPBB. The Programme's strategic bank-wide approach aims to support clients throughout the transition, while ensuring key risks and issues are identified and effectively managed. The Programme is governed by a principal Programme Steering Committee that oversees 13 workstreams aligned to the Group's businesses and functions. Within the Programme, separate committees govern each workstream, and all of them have a dedicated Accountable Executive.

Additional governance is supported by regular updates provided to senior risk committees, including the Group Risk Committee, Board Risk Committee and the Corporate, Commercial and Institutional Banking Risk Committee.

From an industry and regulatory perspective, the Group actively participates in and contributes to working groups, industry associations and business forums that focus on different aspects of the transition. The Group monitors the developments at these forums and includes significant decisions into its broader transition plans.

### Progress during 2022

Supported by a number of system enhancements, the Group has successfully enabled the transition to RFR products, with end-to-end capabilities across a full suite of derivative and cash products. Activity in products referencing RFRs continued to grow throughout 2022. New use of USD LIBOR has ceased, except for limited exceptions as permitted by the regulators.

The Group remediated all non-USD LIBOR exposures by early 2022 and has no reliance on synthetic GBP or JPY LIBOR in 2022. During 2022, focus shifted on the remediation of legacy USD LIBOR transactions and automation of associated data and processes. Clients with legacy USD LIBOR loans have been engaged to remediate their contracts primarily via active conversion to alternative rates, or other suitable transition mechanisms such as the inclusion of robust fallbacks. The Group adhered to the International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol for all its trading entities and continued to engage clients that had not adhered to negotiate remediation of USD LIBOR contracts by the end of June 2023. The Group will also participate in the conversion events at the London Clearing House (LCH) during the first part of 2023.

Frontline and client engagement, including internal and client communications, training, and client webinars were a key feature of the Programme throughout 2022 to support transition from USD LIBOR to Secured Overnight Financing Rate (SOFR) as well as the transition for other IBOR benchmarks that are ceasing.

### Risks which the Group is exposed to due to IBOR transition

The Group has largely mitigated all material adverse outcomes associated with the cessation of IBOR benchmarks, and these have not required a change to the Group's risk management strategy. However, the Group will continue to focus on the remediation required for other benchmarks, and will continue to monitor and manage the inherent risks of the transition, with particular attention being paid to the following:

- **Legal Risk:** IBOR transition introduces significant legal risks and the Group has taken action to mitigate them where possible. These include risks around contracts that reference USD LIBOR. Steps have been taken to either insert robust fallbacks or actively convert transactions from the relevant IBOR to the new RFR-based options. The Group actively monitors remediation progress and tracks exposures that are proving difficult to remediate. Based on the information available as at the date of this Report, there is a reasonable probability that some such exposures may not be remediated by the first interest fixing date following June 30 2023. The Group will apply certain legislative solutions to these exposures if required, including the application of synthetic USD LIBOR, should it be made available
- **Conduct Risk:** The Group considers Conduct Risk to be a significant area of non-financial risk management throughout the transition. Our risk appetite statement on Conduct Risk strives to maintain appropriate outcomes by continuously demonstrating that we are 'Doing the Right Thing' in the way we do business. Accordingly, we recognise that the identification and mitigation of conduct risks arising in respect of the transition are fundamental to the successful transition to new RFR-based rates. The Group has therefore taken actions in this regard as an integral part of its IBOR Transition Programme, including an extensive outreach programme
- **Operational Risk:** The Group has recognised the importance of the ongoing identification and management of Operational Risk as a result of IBOR transition, including those related to systems affected by the transition. The Programme has adopted the Group's existing Operational Risk Framework in its approach to identifying, quantifying, and mitigating the impact of operational risks resulting from the transition
- **Market Risk:** As trades are transitioned from IBOR to RFRs, the business-as-usual metrics, limit structure and controls will continue to apply. Limits for value at risk and market risk sensitivities are in accordance with the Group Risk Appetite Statement. New limits have been set following engagement with the business to consider client demand and market liquidity in RFR-linked products, as well as the regulatory expectations
- **Financial and pricing risk:** The Group continues to monitor any financial impact of IBOR transition across business and functional workstreams in the Programme, and is implementing model and pricing changes to mitigate these risks and ensure alignment with conventions and pricing mechanisms of the alternative reference rates and indices
- **Accounting Risk:** The Group has identified the financial instruments that may be affected by accounting issues such as accounting for contractual changes due to IBOR reform, fair value measurement and hedge accounting. We continue to monitor and contribute to industry developments on tax and accounting changes.

### 13. Financial instruments continued

As at 31 December 2022 the Group had the following notional principal exposures to interest rate benchmarks that are expected to be subject to interest rate benchmark reform. The Group has excluded financial instruments linked to USD LIBOR maturing before 30 June 2023 as it is assumed these will not require remediation due USD LIBOR no longer being published on a representative basis beyond this date.

IBOR exposures by benchmark as of 31 December 2022	USD LIBOR \$million	GBP LIBOR \$million	SGD SOR \$million	THB FIX \$million	Other IBOR \$million	Total IBOR \$million
<b>Assets</b>						
Loans and advances to banks	145	–	–	–	–	145
Loans and advances to customers	21,395	–	420	–	–	21,815
Debt securities, AT1 and other eligible bills	2,843	–	15	–	–	2,858
	24,383	–	435	–	–	24,818
<b>Liabilities</b>						
Deposits by banks	332	–	–	–	–	332
Customer accounts	3,066	–	–	34	–	3,100
Repurchase agreements and other secured borrowing	671	–	–	–	–	671
Debt securities in issue	1,211	–	–	–	–	1,211
Subordinated liabilities and other borrowed funds	–	–	–	–	–	–
	5,280	–	–	34	–	5,314
<b>Derivatives – Foreign exchange contracts</b>						
Currency swaps and options	135,145	–	2,273	959	–	138,377
<b>Derivatives – Interest rate contracts</b>						
Swaps	671,534	–	7,512	10,998	–	690,044
Forward rate agreements and options	22,067	–	–	9	–	22,076
Exchange traded futures and options	31,922	–	–	–	–	31,922
Equity and stock index options	49	–	–	–	–	49
Credit derivative contracts	3,974	–	46	129	–	4,149
<b>Total IBOR derivative exposure</b>	864,691	–	9,831	12,095	–	886,617
<b>Total IBOR exposure</b>	894,354	–	10,266	12,129	–	916,749
<b>Loan commitments off balance sheet</b>	2,798	–	14	–	–	2,812

IBOR exposures by benchmark as at 31 December 2021	USD LIBOR \$million	GBP LIBOR \$million	SGD SOR \$million	THB FIX \$million	Other IBOR \$million	Total IBOR \$million
<b>Assets</b>						
Loans and advances to banks	552	–	–	–	–	552
Loans and advances to customers	27,843	123	1,479	15	58	29,518
Debt securities, AT1 and other eligible bills	2,735	237	17	–	–	2,989
	31,130	360	1,496	15	58	33,059
<b>Liabilities</b>						
Deposits by banks	815	–	–	–	–	815
Customer accounts	3,575	–	1	36	–	3,612
Repurchase agreements and other secured borrowing	671	–	–	–	–	671
Debt securities in issue	326	–	–	–	–	326
Subordinated liabilities and other borrowed funds	160	–	–	–	–	160
	5,547	–	1	36	–	5,584
<b>Derivatives – Foreign exchange contracts</b>						
Currency swaps and options	158,184	–	3,877	1,725	–	163,786
<b>Derivatives – Interest rate contracts</b>						
Swaps	686,403	–	10,091	51,395	–	747,889
Forward rate agreements and options	28,406	–	74	124	–	28,604
Exchange traded futures and options	24,236	–	–	–	–	24,236
Equity and stock index options	74	–	–	–	–	74
Credit derivative contracts	5,515	–	72	277	–	5,864
<b>Total IBOR derivative exposure</b>	902,818	–	14,114	53,521	–	970,453
<b>Total IBOR exposure</b>	939,495	360	15,611	53,572	58	1,009,096
<b>Loan commitments off balance sheet</b>	4,161	285	179	–	966	5,591

### 13. Financial instruments continued

#### Offsetting of financial instruments

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

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

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

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

	2022					
	Gross amounts of recognised financial instruments \$million	Impact of offset in the balance sheet \$million	Net amounts of financial instruments presented in the balance sheet \$million	Related amount not offset in the balance sheet		Net amount \$million
				Financial instruments \$million	Financial collateral \$million	
<b>Assets</b>						
Derivative financial instruments	120,799	(57,082)	63,717	(50,133)	(9,206)	4,378
Reverse repurchase agreements and other similar secured lending	105,891	(15,924)	89,967	–	(89,967)	–
<b>At 31 December 2022</b>	<b>226,690</b>	<b>(73,006)</b>	<b>153,684</b>	<b>(50,133)</b>	<b>(99,173)</b>	<b>4,378</b>
<b>Liabilities</b>						
Derivative financial instruments	126,944	(57,082)	69,862	(50,133)	(12,515)	7,214
Repurchase agreements and other similar secured borrowing	69,738	(15,924)	53,814	–	(53,814)	–
<b>At 31 December 2022</b>	<b>196,682</b>	<b>(73,006)</b>	<b>123,676</b>	<b>(50,133)</b>	<b>(66,329)</b>	<b>7,214</b>

	2021					
	Gross amounts of recognised financial instruments \$million	Impact of offset in the balance sheet \$million	Net amounts of financial instruments presented in the balance sheet \$million	Related amount not offset in the balance sheet		Net amount \$million
				Financial instruments \$million	Financial collateral \$million	
<b>Assets</b>						
Derivative financial instruments	79,043	(26,598)	52,445	(39,502)	(8,092)	4,851
Reverse repurchase agreements and other similar secured lending	95,845	(7,426)	88,419	–	(88,419)	–
<b>At 31 December 2021</b>	<b>174,888</b>	<b>(34,024)</b>	<b>140,864</b>	<b>(39,502)</b>	<b>(96,511)</b>	<b>4,851</b>
<b>Liabilities</b>						
Derivative financial instruments	79,997	(26,598)	53,399	(39,502)	(9,217)	4,680
Repurchase agreements and other similar secured borrowing	73,074	(7,426)	65,648	–	(65,648)	–
<b>At 31 December 2021</b>	<b>153,071</b>	<b>(34,024)</b>	<b>119,047</b>	<b>(39,502)</b>	<b>(74,865)</b>	<b>4,680</b>

#### Related amounts not offset in the balance sheet comprises:

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



### 13. Financial instruments continued

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

	2022 \$million	2021 \$million
Carrying balance aggregate fair value	73,027	78,431
Amount contractually obliged to repay at maturity	74,138	78,691
Difference between aggregate fair value and contractually obliged to repay at maturity	(1,111)	(260)
Cumulative change in fair value accredited to credit risk difference	(56)	3

The net fair value loss on financial liabilities designated at fair value through profit or loss was \$677 million for the year (31 December 2021: net loss of \$133 million).

Further details of the Group's own credit adjustment (OCA) valuation technique is described later in this Note.

#### Valuation of financial instruments

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

The Valuation Methodology function is responsible for independent price verification, oversight of fair value and appropriate value adjustments and escalation of valuation issues. Independent price verification is the process of determining that the valuations incorporated into the financial statements are validated independent of the business area responsible for the product. The Valuation Methodology function has oversight of the fair value adjustments to ensure the financial instruments are priced to exit. These are key controls in ensuring the material accuracy of the valuations incorporated in the financial statements. The market data used for price verification (PV) may include data sourced from recent trade data involving external counterparties or third parties such as Bloomberg, Reuters, brokers and consensus pricing providers. The Valuation Methodology function perform an ongoing review of the market data sources that are used as part of the PV and fair value processes which are formally documented on a semi-annual basis detailing the suitability of the market data used for price testing. Price verification uses independently sourced data that is deemed most representative of the market the instruments trade in. To determine the quality of the market data inputs, factors such as independence, relevance, reliability, availability of multiple data sources and methodology employed by the pricing provider are taken into consideration.

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

#### Significant accounting estimates and judgements

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

- Fair value of financial instruments is determined using valuation techniques and estimates (see below) which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Changes in the observability of significant valuation inputs can materially affect the fair values of financial instruments
- When establishing the exit price of a financial instrument using a valuation technique, the Group estimates valuation adjustments in determining the fair value (page 383)
- In determining the valuation of financial instruments, the Group makes judgements on the amounts reserved to cater for model and valuation risks, which cover both Level 2 and Level 3 assets, and the significant valuation judgements in respect of Level 3 instruments (page 390)
- Where the estimated measurement of fair value is more judgemental in respect of Level 3 assets, these are valued based on models that use a significant degree of non-market-based unobservable inputs

## 13. Financial instruments continued

### Valuation techniques

Refer to the fair value hierarchy explanation – Level 1, 2 and 3 (page 385)

#### • Financial instruments held at fair value

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

#### • Financial instruments held at amortised cost

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

- **Cash and balances at central banks:** The fair value of cash and balances at central banks is their carrying amounts
- **Debt securities in issue, subordinated liabilities and other borrowed funds:** The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current market related yield curve appropriate for the remaining term to maturity
- **Deposits and borrowings:** The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using the prevailing market rates for debts with a similar Credit Risk and remaining maturity

### 13. Financial instruments continued

- **Investment securities:** For investment securities that do not have directly observable market values, the Group utilises a number of valuation techniques to determine fair value. Where available, securities are valued using input proxies from the same or closely related underlying (for example, bond spreads from the same or closely related issuer) or input proxies from a different underlying (for example, a similar bond but using spreads for a particular sector and rating). Certain instruments cannot be proxies as set out above, and in such cases the positions are valued using non-market observable inputs. This includes those instruments held at amortised cost and predominantly relates to asset-backed securities. The fair value for such instruments is usually proxies from internal assessments of the underlying cash flows
- **Loans and advances to banks and customers:** For loans and advances to banks, the fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using the prevailing money market rates for debts with a similar Credit Risk and remaining maturity. The Group's loans and advances to customers' portfolio is well diversified by geography and industry. Approximately a quarter of the portfolio re-prices within one month, and approximately half re-prices within 12 months. Loans and advances are presented net of provisions for impairment. The fair value of loans and advances to customers with a residual maturity of less than one year generally approximates the carrying value. The estimated fair value of loans and advances with a residual maturity of more than one year represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates and Credit Risk. Expected cash flows are discounted at current market rates to determine fair value. The Group has a wide range of individual instruments within its loans and advances portfolio and as a result providing quantification of the key assumptions used to value such instruments is impractical
- **Other assets:** Other assets comprise primarily of cash collateral and trades pending settlement. The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are either short-term in nature or re-price to current market rates frequently

#### Fair value adjustments

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

	01.01.22 \$million	Movement during the year \$million	31.12.22 \$million	01.01.21 \$million	Movement during the year \$million	31.12.21 \$million
Bid-offer valuation adjustment	101	17	118	103	(2)	101
Credit valuation adjustment	165	6	171	189	(24)	165
Debit valuation adjustment	(70)	(42)	(112)	(55)	(15)	(70)
Model valuation adjustment	5	(2)	3	5	–	5
Funding valuation adjustment	–	46	46	5	(5)	–
Other fair value adjustments	20	3	23	32	(12)	20
<b>Total</b>	<b>221</b>	<b>28</b>	<b>249</b>	<b>279</b>	<b>(58)</b>	<b>221</b>
Income deferrals						
Day 1 and other deferrals	147	39	186	138	9	147
<b>Total</b>	<b>147</b>	<b>39</b>	<b>186</b>	<b>138</b>	<b>9</b>	<b>147</b>

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

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

### 13. Financial instruments continued

- **Debit valuation adjustment (DVA):** The Group calculates DVA adjustments on its derivative liabilities to reflect changes in its own credit standing. The Group's DVA adjustments will increase if its credit standing worsens and conversely, decrease if its credit standing improves. For derivative liabilities, a DVA adjustment is determined by applying the Group's probability of default to the Group's negative expected exposure against the counterparty. The Group's probability of default and loss expected in the event of default is derived based on bond and CDS spreads associated with the Group's issuances and market standard recovery levels. The expected exposure is modelled based on the simulation of the underlying risk factors over the expected life of the deal. This simulation methodology incorporates the collateral posted by the Group and the effects of master netting agreements
- **Model valuation adjustment:** Valuation models may have pricing deficiencies or limitations that require a valuation adjustment. These pricing deficiencies or limitations arise due to the choice, implementation and calibration of the pricing model
- **Funding valuation adjustment (FVA):** The Group makes FVA adjustments against derivative products, including embedded derivatives. FVA reflects an estimate of the adjustment to its fair value that a market participant would make to incorporate funding costs or benefits that could arise in relation to the exposure. FVA is calculated by determining the net expected exposure at a counterparty level and then applying a funding rate to those exposures that reflect the market cost of funding. The FVA for uncollateralised (including partially collateralised) derivatives incorporates the estimated present value of the market funding cost or benefit associated with funding these transactions
- **Other fair value adjustments:** The Group calculates the fair value on the interest rate callable products by calibrating to a set of market prices with differing maturity, expiry and strike of the trades
- **Day one and other deferrals:** In certain circumstances the initial fair value is based on a valuation technique which differs to the transaction price at the time of initial recognition. However, these gains can only be recognised when the valuation technique used is based primarily on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement. The difference is amortised to the income statement until the inputs become observable, or the transaction matures or is terminated. Other deferrals primarily represent adjustments taken to reflect the specific terms and conditions of certain derivative contracts which affect the termination value at the measurement date

In addition, the Group calculates own credit adjustment (OCA) on its issued debt designated at fair value, including structured notes, in order to reflect changes in its own credit standing. Issued debt is discounted utilising the spread at which similar instruments would be issued or bought back at the measurement date as this reflects the value from the perspective of a market participant who holds the identical item as an asset. OCA measures the difference between the fair value of issued debt as of reporting date and theoretical fair values of issued debt adjusted up or down for changes in own credit spreads from inception date to the measurement date. Under IFRS 9 the change in the OCA component is reported under other comprehensive income. The Group's OCA reserve will increase if its credit standing worsens in comparison to the inception of the trade and, conversely, decrease if its credit standing improves. The Group's OCA reserve will reverse over time as its liabilities mature.

In the fourth quarter of 2022, the Group implemented refinements to its methodology for the valuation of structured notes, to align with evolving market practice. Previously, the structured note spread was split into a market level of funding component (recorded in the Consolidated income statement) and an idiosyncratic own credit component (recorded in the Consolidated statement of other comprehensive income). The refinement is to record all prospective movements in the spreads over the benchmark rate of the host debt instrument through Other Comprehensive income, as changes to the funding component are considered to be integral to the issuer's own credit risk. The funding valuation adjustment in relation to the embedded derivative component of the structured notes will continue to be recorded in the Consolidated income statement.

The impact of this change in estimate, which took effect prospectively from 1 October 2022, was a loss of \$13 million recorded in the Consolidated statement of other comprehensive income, which would have been recorded in the Consolidated income statement under the previous methodology. The revised approach is expected to result in a more consistent own credit valuation with peer banks. The net life-to-date gains previously recorded in the Consolidated income statement of \$219 million from inception of the structured notes to the effective date of this change in estimate in relation to the market level of funding for the host debt instrument are expected to reverse in the Group's Consolidated statement of other comprehensive income as the existing portfolio matures, unless the structured notes are redeemed or otherwise derecognised earlier. This net life-to-date gain of \$220 million includes a gain of \$244 million recorded in the Consolidated income statement for 2022 (2021: \$33 million gain).

#### Fair value hierarchy – financial instruments held at fair value

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

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

### 13. Financial instruments continued

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

Assets	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
<b>Financial instruments held at fair value through profit or loss</b>				
Loans and advances to banks	–	955	21	976
Loans and advances to customers	–	4,741	1,805	6,546
Reverse repurchase agreements and other similar secured lending	3	62,490	1,998	64,491
Debt securities and other eligible bills	14,702	14,707	1,153	30,562
Of which:				
Issued by Central banks & Governments	14,086	4,734	–	18,820
Issued by corporates other than financial institutions <sup>1</sup>	91	3,452	517	4,060
Issued by financial institutions <sup>1</sup>	525	6,521	636	7,682
Equity shares	3,024	24	182	3,230
Derivative financial instruments	892	62,781	44	63,717
Of which:				
Foreign exchange	139	54,020	13	54,172
Interest rate	33	7,351	28	7,412
Credit	–	410	1	411
Equity and stock index options	–	98	2	100
Commodity	720	902	–	1,622
<b>Investment securities</b>				
Debt securities and other eligible bills	56,401	55,525	–	111,926
Of which:				
Issued by Central banks & Governments	45,151	22,171	–	67,322
Issued by corporates other than financial institutions <sup>1</sup>	1,775	4,045	–	5,820
Issued by financial institutions <sup>1</sup>	9,475	29,309	–	38,784
Equity shares	146	7	655	808
Other Assets	–	–	7	7
<b>Total financial instruments at 31 December 2022<sup>2</sup></b>	<b>75,168</b>	<b>201,230</b>	<b>5,865</b>	<b>282,263</b>
<b>Liabilities</b>				
<b>Financial instruments held at fair value through profit or loss</b>				
Deposits by banks	–	778	288	1,066
Customer accounts	–	10,734	972	11,706
Repurchase agreements and other similar secured borrowing	–	51,706	–	51,706
Debt securities in issue	–	8,121	451	8,572
Short positions	4,085	2,722	40	6,847
Derivative financial instruments	642	69,099	121	69,862
Of which:				
Foreign exchange	101	56,710	12	56,823
Interest rate	29	10,020	12	10,061
Credit	–	899	42	941
Equity and stock index options	–	191	55	246
Commodity	512	1,279	–	1,791
Other liabilities	–	–	6	6
<b>Total financial instruments at 31 December 2022<sup>2</sup></b>	<b>4,727</b>	<b>143,160</b>	<b>1,878</b>	<b>149,765</b>

1 Includes covered bonds of \$8,455 million, securities issued by Multilateral Development Banks/International Organisations of \$11,438 million and State-owned agencies and development banks of \$9,211 million

2 The above table does not include held for sale assets of \$3 million and liabilities of \$5 million. These are reported in Note 21 together with their fair value hierarchy

The fair value of derivatives and debt securities in issue classified as Level 2 in the fair value hierarchy that are subject to complex modelling techniques is \$781 million.

There were no significant changes to valuation or levelling approaches during the year 31 December 2022.

There were no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the year 31 December 2022.

### 13. Financial instruments continued

Assets	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
<b>Financial instruments held at fair value through profit or loss</b>				
Loans and advances to banks	–	3,838	9	3,847
Loans and advances to customers	–	8,596	1,357	9,953
Reverse repurchase agreements and other similar secured lending	–	78,443	1,566	80,009
Debt securities and other eligible bills	12,057	17,019	349	29,425
Of which:				
Issued by Central Banks & Governments	10,731	7,201	–	17,932
Issued by corporates other than financial institutions <sup>1</sup>	1	3,750	111	3,862
Issued by financial institutions <sup>1</sup>	1,325	6,068	238	7,631
Equity shares	5,637	38	186	5,861
Derivative financial instruments	1,066	51,289	90	52,445
Of which:				
Foreign exchange	161	41,577	10	41,748
Interest rate	9	6,314	53	6,376
Credit	–	2,265	24	2,289
Equity and stock index options	–	133	3	136
Commodity	896	1,000	–	1,896
<b>Investment securities</b>				
Debt securities and other eligible bills	51,298	70,037	40	121,375
Of which:				
Issued by Central Banks & Governments	39,590	24,651	40	64,281
Issued by corporates other than financial institutions <sup>1</sup>	–	1,963	–	1,963
Issued by financial institutions <sup>1</sup>	11,708	43,423	–	55,131
Equity shares	227	17	493	737
Other Assets	–	–	26	26
<b>Total financial instruments at 31 December 2021<sup>2</sup></b>	<b>70,285</b>	<b>229,277</b>	<b>4,116</b>	<b>303,678</b>
<b>Liabilities</b>				
<b>Financial instruments held at fair value through profit or loss</b>				
Deposits by banks	–	1,069	283	1,352
Customer accounts	–	8,837	454	9,291
Repurchase agreements and other similar secured borrowing	–	62,388	–	62,388
Debt securities in issue	–	4,776	821	5,597
Short positions	4,187	2,375	–	6,562
Derivative financial instruments	949	52,356	94	53,399
Of which:				
Foreign exchange	169	41,555	3	41,727
Interest rate	7	6,448	16	6,471
Credit	–	3,084	41	3,125
Equity and stock index options	–	126	34	160
Commodity	773	1,143	–	1,916
Other Liabilities	–	6	1	7
<b>Total financial instruments at 31 December 2021<sup>2</sup></b>	<b>5,136</b>	<b>131,807</b>	<b>1,653</b>	<b>138,596</b>

1 Includes covered bonds of \$7,326 million, securities issued by Multilateral Development Banks/International Organisations of \$12,109 million, and State-owned agencies and development banks of \$19,959 million

2 The above table does not include held for sale assets of \$43 million and liabilities of \$nil. These are reported in Note 21 together with their fair value hierarchy

The fair value of derivatives and debt securities in issue classified as Level 2 in the fair value hierarchy that are subject to complex modelling techniques is \$684 million.



### 13. Financial instruments continued

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

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

	Carrying value \$million	Fair value			Total \$million
		Level 1 \$million	Level 2 \$million	Level 3 \$million	
<b>Assets</b>					
Cash and balances at central banks <sup>1</sup>	58,263	–	58,263	–	58,263
Loans and advances to banks	39,519	–	39,488	–	39,488
of which – reverse repurchase agreements and other similar secured lending	978	–	924	–	924
Loans and advances to customers	310,647	–	58,663	251,560	310,223
of which – reverse repurchase agreements and other similar secured lending	24,498	–	15,727	8,911	24,638
Investment securities <sup>2</sup>	59,714	–	56,444	25	56,469
Other assets <sup>1</sup>	39,295	–	39,295	–	39,295
Assets held for sale	1,388	344	946	98	1,388
<b>At 31 December 2022</b>	<b>508,826</b>	<b>344</b>	<b>253,099</b>	<b>251,683</b>	<b>505,126</b>
<b>Liabilities</b>					
Deposits by banks	28,789	–	28,813	–	28,813
Customer accounts	461,677	–	461,665	–	461,665
Repurchase agreements and other similar secured borrowing	2,108	–	2,108	–	2,108
Debt securities in issue	61,242	24,624	36,148	–	60,772
Subordinated liabilities and other borrowed funds	13,715	12,445	385	–	12,830
Other liabilities <sup>1</sup>	42,915	–	42,914	1	42,915
Liabilities held for sale	1,230	398	832	–	1,230
<b>At 31 December 2022</b>	<b>611,676</b>	<b>37,467</b>	<b>572,865</b>	<b>1</b>	<b>610,333</b>

	Carrying value \$million	Fair value			Total \$million
		Level 1 \$million	Level 2 \$million	Level 3 \$million	
<b>Assets</b>					
Cash and balances at central banks <sup>1</sup>	72,663	–	72,663	–	72,663
Loans and advances to banks	44,383	–	44,383	–	44,383
of which – reverse repurchase agreements and other similar secured lending	1,079	–	1,079	–	1,079
Loans and advances to customers	298,468	–	42,136	256,289	298,425
of which – reverse repurchase agreements and other similar secured lending	7,331	–	3,764	3,567	7,331
Investment securities <sup>2</sup>	41,325	–	41,864	–	41,864
Other assets <sup>1</sup>	40,068	–	40,067	1	40,068
Assets held for sale	52	–	–	52	52
<b>At 31 December 2021</b>	<b>496,959</b>	<b>–</b>	<b>241,113</b>	<b>256,342</b>	<b>497,455</b>
<b>Liabilities</b>					
Deposits by banks	30,041	–	30,041	–	30,041
Customer accounts	474,570	–	474,645	–	474,645
Repurchase agreements and other similar secured borrowing	3,260	–	3,260	–	3,260
Debt securities in issue	61,293	26,073	35,503	–	61,576
Subordinated liabilities and other borrowed funds	16,646	16,811	519	–	17,330
Other liabilities <sup>1</sup>	43,432	–	43,431	1	43,432
Liabilities held for sale	–	–	–	–	–
<b>At 31 December 2021</b>	<b>629,242</b>	<b>42,884</b>	<b>587,399</b>	<b>1</b>	<b>630,284</b>

<sup>1</sup> The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are short-term in nature or repriced to current market rates frequently

<sup>2</sup> Includes Government bonds and Treasury bills of \$17,943 million at 31 December 2022 and \$17,153 million at 31 December 2021

### 13. Financial instruments continued

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

	2022					
	Carrying value			Fair value		
	Stage 3 \$million	Stage 1 and stage 2 \$million	Total \$million	Stage 3 \$million	Stage 1 and stage 2 \$million	Total \$million
Corporate, Commercial & Institutional Banking	2,481	137,150	139,631	2,525	137,187	139,712
Consumer, Private & Business Banking	677	130,278	130,955	685	131,679	132,364
Ventures	–	698	698	–	696	696
Central & other items	230	39,133	39,363	230	37,221	37,451
<b>At 31 December 2022</b>	<b>3,388</b>	<b>307,259</b>	<b>310,647</b>	<b>3,440</b>	<b>306,783</b>	<b>310,223</b>
2021 (Restated) <sup>2</sup>						
	Carrying value			Fair value		
	Stage 3 \$million	Stage 1 and stage 2 \$million	Total \$million	Stage 3 \$million	Stage 1 and stage 2 \$million	Total \$million
Corporate, Commercial & Institutional Banking	2,659	136,742	139,401	2,750	136,463	139,213
Consumer, Private & Business Banking	779	135,651	136,430	780	135,782	136,562
Ventures	–	88	88	–	88	88
Central & other items	–	22,549	22,549	–	22,562	22,562
<b>At 31 December 2021</b>	<b>3,438</b>	<b>295,030</b>	<b>298,468</b>	<b>3,530</b>	<b>294,895</b>	<b>298,425</b>

1 Loans and advances includes reverse repurchase agreements and other similar secured lending: carrying value \$24,498 million and fair value \$24,638 million (2021: \$7,331 million and \$7,331 million respectively)

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

### 13. Financial instruments continued

#### Fair value of financial instruments

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

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

Instrument	Value as at 31 December 2022		Principal valuation technique	Significant unobservable inputs	Range <sup>1</sup>	Weighted average <sup>2</sup>
	Assets \$million	Liabilities \$million				
Loans and advances to banks	21	–	Discounted cash flows	Price/yield Credit spreads	N/A 2.9%	N/A 2.9%
Loans and advances to customers	1,805	–	Discounted cash flows	Price/yield Recovery rates	0.3% – 18.2% 5.0% – 100%	5.3% 90.5%
Reverse repurchase agreements and other similar secured lending	1,998	–	Discounted cash flows	Repo curve Price/yield	2.3% – 8.0% 1.9% – 7.2%	6.2% 6.0%
Debt securities, alternative tier one and other eligible securities	1,152	–	Discounted cash flows	Price/yield Recovery rates	3.1% – 48.5% 0.0% – 1.0%	7.1% 0.2%
Government bonds and treasury bills	–	–	Discounted cash flows	Price/yield	N/A	N/A
Asset-backed securities	1	–	Discounted cash flows	Price/yield	6.8%	6.8%
Equity shares (includes private equity investments)	837	–	Comparable pricing/yield	EV/EBITDA multiples EV/Revenue multiples P/E multiples P/B multiples P/S multiples Liquidity discount	7.0x – 13.1x 8.2x – 23.2x 13.4x – 29.7x 0.3x – 3.3x 2.1x – 2.2x 10.0% – 29.7%	11.0x 12.9x 17.6x 1.3x 2.2x 17.5%
			Discounted cash flows	Discount rates	7.5% – 16.4%	9.4%
			Option pricing model	Equity value based on EV/Revenue multiples Equity value based on EV/EBITDA multiples Equity value based on volatility	4.8x – 76.1x  2.6x 60.0%	32.9x  2.6x 60.0%
Other Assets	7	–	NAV	N/A	N/A	N/A
Derivative financial instruments of which:						
Foreign exchange	13	12	Option pricing model	Foreign exchange option implied volatility	(21.0)% – 21.0%	(2.7)%
			Discounted cash flows	Foreign exchange curves	(4.6)% – 81.8%	15.9%
Interest rate	28	12	Discounted cash flows	Interest rate curves	(2.1)% – 50.2%	10.6%
			Option pricing model	Bond option implied volatility	N/A	N/A
Credit	1	42	Discounted cash flows	Credit spreads Price/yield	0.1% – 2.3% 7.2% – 9.7%	1.4% 7.2%
Equity and stock index	2	55	Internal pricing model	Equity correlation Equity-FX correlation	30.0% – 96.0% (70.0)% – 85.0%	67.0% 37.0%
Deposits by banks	–	288	Discounted cash flows	Credit spreads Price/yield	0.9% – 3.4% 6.0%	1.8% 6.0%
Customer accounts	–	972	Discounted cash flows	Credit spreads	0.9% – 19.1%	10.3%
			Internal pricing model	Equity correlation Equity-FX correlation	30.0% – 96.0% (70.0)% – 85.0%	67.0% 37.0%
			Discounted cash flows	Interest rate curves Price/yield	N/A 3.1% – 22.9%	N/A 17.8%
Debt securities in issue	–	451	Discounted cash flows	Credit Spreads Price/Yield	0.3% – 7.0% 6.8% – 12.4%	4.7% 9.1%
			Internal pricing model	Equity-Equity Correlation Equity-FX Correlation	30.0% – 96.0% (70.0)% – 85.0%	67.0% 37.0%
Short positions	–	40	Discounted cash flows	Price/yield	6.8%	6.8%
Other Liabilities	–	6	Comparable pricing/yield	EV/EBITDA multiples	4.2x – 9.0x	6.1x
<b>Total</b>	<b>5,865</b>	<b>1,878</b>				

1 The ranges of values shown in the above table represent the highest and lowest levels used in the valuation of the Group's Level 3 financial instruments as at 31 December 2022. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments

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

## 13. Financial instruments continued

### Level 3 summary and significant unobservable inputs continued

Instrument	Value as at 31 December 2021		Principal valuation technique	Significant unobservable inputs	Range <sup>1</sup>	Weighted average <sup>2</sup>
	Assets \$million	Liabilities \$million				
Loans and advances to banks	9	–	Discounted cash flows	Recovery rates	87.3%–100%	93.6%
Loans and advances to customers	1,357	–	Discounted cash flows	Price/yield	0.2% – 11.8%	3.1%
				Recovery rates	10.6% – 100%	87.8%
Reverse repurchase agreements and other similar secured lending	1,566	–	Discounted cash flows	Repo curve	0.3%–3.0%	2.4%
Debt securities, alternative tier one and other eligible securities	349	–	Discounted cash flows	Price/yield	5.1% – 12.4%	7.5%
				Recovery rates	0.01% – 1.0%	0.2%
Government bonds and treasury bills	40	–	Discounted cash flows	Price/yield	2.7% – 5.5%	3.7%
Asset-backed securities	–	–	Discounted cash flows	Price/yield	N/A	N/A
Equity shares (includes private equity investments)	679	–	Comparable pricing/ yield	EV/EBITDA multiples	6.1x–15.3x	8.6x
				EV/Revenue multiples	10.1x	10.1x
				P/E multiples	12.6x–25.3x	14.9x
				P/B multiples	0.4x–3.3x	1.4x
				P/S multiples	1.8x–2.6x	1.8x
				Liquidity discount	7.9%–29.2%	16.5%
			Discounted cash flows	Discount rates	6.0%–17.4%	8.6%
			Option pricing model	EV/Revenue multiples	4.0x–85.5x	12.1x
				Volatility	55.0%–65.0%	60.3%
Other Assets	26	–	NAV	N/A	N/A	N/A
Derivative financial instruments of which:						
Foreign exchange	10	3	Option pricing model	Foreign exchange option implied volatility	3.1% – 6.1%	5.1%
			Discounted cash flows	Foreign exchange curves	(16.4)% – 57.3%	9.0%
Interest rate	53	16	Discounted cash flows	Interest rate curves	(16.4)%–18.8%	5.0%
			Option pricing model	Bond option implied volatility	N/A	N/A
Credit	24	41	Discounted cash flows	Credit spreads	0.1%–11.5%	1.0%
				Price/yield	5.9%–7.3%	6.6%
Equity and stock index	3	34	Internal pricing model	Equity correlation	8.0% – 96.0%	70.0%
				Equity-FX correlation	(70.0)%–85.0%	(33.0)%
Deposits by banks	–	283	Discounted cash flows	Credit spreads	0.4% – 3.0%	1.4%
				Price/yield	6.8%–8.3%	7.5%
Customer accounts	–	454	Discounted cash flows	Credit spreads	1.0% – 2.0%	1.2%
				Interest rate curves	0.9%–5.6%	4.7%
				Price/yield	8.9%–12.1%	10.1%
Debt securities in issue	–	821	Discounted cash flows	Credit spreads	0.9%–2.2%	1.0%
				Interest rate curves	0.9% – 5.6%	4.9%
			Internal pricing model	Equity correlation	8.0% – 96.0%	70.0%
				Equity-FX correlation	(70.0)%–85.0%	(33.0)%
Short position	–	–	N/A	N/A	N/A	N/A
Other Liabilities	–	1	Comparable pricing/ yield	EV/EBITDA multiples	3.07x–99.5x	6.84x
<b>Total</b>	<b>4,116</b>	<b>1,653</b>				

1 The ranges of values shown in the above table represent the highest and lowest levels used in the valuation of the Group's Level 3 financial instruments as at 31 December 2021. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments

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

## 13. Financial instruments continued

### Level 3 Summary and significant unobservable inputs continued

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

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

### 13. Financial instruments continued

#### Level 3 movement tables – financial assets

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

Assets	2022									
	Held at fair value through profit or loss						Investment securities			
	Loans and advances to banks \$million	Loans and advances to customers \$million	Reverse repurchase agreements and other similar secured lending \$million	Debt securities, alternative tier one and other eligible bills \$million	Equity shares \$million	Other Assets \$million	Derivative financial instruments \$million	Debt securities, alternative tier one and other eligible bills \$million	Equity shares \$million	Total \$million
At 01 January 2022	9	1,357	1,566	349	186	26	90	40	493	4,116
Total (losses)/gains recognised in income statement	(16)	(132)	2	7	4	–	30	–	–	(105)
Net interest income	–	–	–	–	–	–	–	–	–	–
Net trading income	(16)	(132)	2	7	4	–	30	–	–	(105)
Other operating income	–	–	–	–	–	–	–	–	–	–
Total (losses)/gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	–	(1)	(8)	(9)
Fair value through OCI reserve	–	–	–	–	–	–	–	(1)	(1)	(2)
Cash flow hedge reserve	–	–	–	–	–	–	–	–	–	–
Exchange difference	–	–	–	–	–	–	–	–	(7)	(7)
Purchases	55	1,605	6,438	1,063	2	8	118	–	166	9,455
Issues	–	–	–	–	–	–	–	–	–	–
Sales	(30)	(237)	(5,484)	(342)	(10)	(10)	(99)	–	(6)	(6,218)
Settlements	(19)	(877)	(524)	(1)	–	–	(80)	(39)	–	(1,540)
Transfers out <sup>1</sup>	–	(160)	–	–	–	(17)	(29)	–	–	(206)
Transfers in <sup>2</sup>	22	249	–	77	–	–	14	–	10	372
<b>At 31 December 2022</b>	<b>21</b>	<b>1,805</b>	<b>1,998</b>	<b>1,153</b>	<b>182</b>	<b>7</b>	<b>44</b>	<b>–</b>	<b>655</b>	<b>5,865</b>
Total unrealised gains/ (losses) recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2022	–	–	–	–	3	–	(2)	–	–	1

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

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



## 13. Financial instruments continued

## Level 3 movement tables – financial assets continued

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

Assets	2021									
	Held at fair value through profit or loss						Investment securities			
	Loans and advances to banks \$million	Loans and advances to customers \$million	Reverse repurchase agreements and other similar secured lending \$million	Debt securities, alternative tier one and other eligible bills \$million	Equity shares \$million	Other Assets \$million	Derivative financial instruments \$million	Debt securities, alternative tier one and other eligible bills \$million	Equity shares \$million	Total \$million
At 01 January 2021	200	718	1,064	258	279	–	8	40	381	2,948
Total gains/(losses) recognised in income statement	1	(97)	2	(24)	(30)	–	34	–	–	(114)
Net interest income	–	–	–	–	–	–	–	–	–	–
Net trading income	1	(97)	2	(23)	(30)	–	34	–	–	(113)
Other operating income	–	–	–	(1)	–	–	–	–	–	(1)
Total gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	–	3	61	64
Fair value through OCI reserve	–	–	–	–	–	–	–	6	63	69
Cash flow hedge reserve	–	–	–	–	–	–	–	–	–	–
Exchange difference	–	–	–	–	–	–	–	(3)	(2)	(5)
Purchases	9	1,281	4,973	387	7	–	91	–	123	6,871
Issues										
Sales	–	(687)	(4,392)	(226)	(55)	–	(32)	–	(9)	(5,401)
Settlements	(201)	(302)	(81)	(70)	–	–	(5)	(13)	–	(672)
Transfers out <sup>1</sup>	–	(60)	–	–	(15)	–	(11)	–	(63)	(149)
Transfers in <sup>2</sup>	–	504	–	24	–	26	5	10	–	569
<b>At 31 December 2021</b>	<b>9</b>	<b>1,357</b>	<b>1,566</b>	<b>349</b>	<b>186</b>	<b>26</b>	<b>90</b>	<b>40</b>	<b>493</b>	<b>4,116</b>
Total unrealised gains/(losses) recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2021	–	–	–	8	(15)	–	19	–	–	12

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

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

### 13. Financial instruments continued

#### Level 3 movement tables – financial liabilities

	2022						
	Deposits by banks \$million	Customer accounts \$million	Debt securities in issue \$million	Derivative financial instruments \$million	Short positions \$million	Other liabilities \$million	Total \$million
At 01 January 2022	283	454	821	94	–	1	1,653
Total (gains)/losses recognised in income statement – net trading income	(37)	(82)	(158)	155	(3)	5	(120)
Issues	447	1,818	815	179	140	–	3,399
Settlements	(400)	(1,266)	(1,066)	(291)	(97)	–	(3,120)
Transfers out <sup>1</sup>	(5)	–	(38)	(23)	–	–	(66)
Transfers in <sup>2</sup>	–	48	77	7	–	–	132
<b>At 31 December 2022</b>	<b>288</b>	<b>972</b>	<b>451</b>	<b>121</b>	<b>40</b>	<b>6</b>	<b>1,878</b>
Total unrealised gains recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2022	(1)	(17)	(7)	(3)	–	–	(28)
	2021						
	Deposits by banks \$million	Customer accounts \$million	Debt securities in issue \$million	Derivative financial instruments \$million	Short positions \$million	Other liabilities \$million	Total \$million
At 01 January 2021	146	21	160	119	–	–	446
Total losses/(gains) recognised in income statement – net trading income	8	(5)	(12)	(23)	–	–	(32)
Issues	269	803	1,615	166	–	–	2,853
Settlements	(145)	(365)	(986)	(181)	–	–	(1,677)
Transfers out <sup>1</sup>	–	–	(48)	(6)	–	–	(54)
Transfers in <sup>2</sup>	5	–	92	19	–	1	117
<b>At 31 December 2021</b>	<b>283</b>	<b>454</b>	<b>821</b>	<b>94</b>	<b>–</b>	<b>1</b>	<b>1,653</b>
Total unrealised gains recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2021	–	–	–	(14)	–	–	(14)

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

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

### 13. Financial instruments continued

#### Sensitivities in respect of the fair values of Level 3 assets and liabilities

Sensitivity analysis is performed on products with significant unobservable inputs. The Group applies a 10 per cent increase or decrease on the values of these unobservable inputs, to generate a range of reasonably possible alternative valuations. The percentage shift is determined by statistical analysis performed on a set of reference prices based on the composition of the Group's Level 3 inventory as the measurement date. Favourable and unfavourable changes (which show the balance adjusted for input change) are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable parameters. The Level 3 sensitivity analysis assumes a one-way market move and does not consider offsets for hedges.

	Held at fair value through profit or loss			Fair value through other comprehensive income		
	Net exposure \$million	Favourable changes \$million	Unfavourable changes \$million	Net exposure \$million	Favourable changes \$million	Unfavourable changes \$million
<b>Financial instruments held at fair value</b>						
Loans and advances	1,826	1,851	1,758	-	-	-
Reverse Repurchase agreements and other similar secured lending	1,998	2,013	1,979	-	-	-
Asset backed securities	1	1	1	-	-	-
Debt securities, alternative tier one and other eligible bills	1,152	1,168	1,124	-	-	-
Equity shares	182	200	164	655	715	595
Other Assets	7	8	6	-	-	-
Derivative financial instruments	(77)	(44)	(109)	-	-	-
Customers accounts	(972)	(934)	(1,010)	-	-	-
Deposits by banks	(288)	(283)	(293)	-	-	-
Repurchase agreements and other similar secured borrowings	-	-	-	-	-	-
Short positions	(40)	(39)	(41)	-	-	-
Debt securities in issue	(451)	(419)	(482)	-	-	-
Other Liabilities	(6)	(5)	(7)	-	-	-
<b>At 31 December 2022</b>	<b>3,332</b>	<b>3,517</b>	<b>3,090</b>	<b>655</b>	<b>715</b>	<b>595</b>

#### Financial instruments held at fair value

Loans and advances	1,366	1,398	1,328	-	-	-
Reverse Repurchase agreements and other similar secured lending	1,566	1,579	1,550	-	-	-
Asset backed securities	-	-	-	-	-	-
Debt securities, alternative tier one and other eligible bills	349	366	332	40	41	38
Equity shares	186	205	168	493	541	442
Other Assets	26	29	24	-	-	-
Derivative financial instruments	(4)	10	(16)	-	-	-
Customers accounts	(454)	(447)	(461)	-	-	-
Deposits by banks	(283)	(278)	(287)	-	-	-
Short positions	-	-	-	-	-	-
Debt securities in issue	(821)	(764)	(879)	-	-	-
Other Liabilities	(1)	(1)	(1)	-	-	-
<b>At 31 December 2021</b>	<b>1,930</b>	<b>2,097</b>	<b>1,758</b>	<b>533</b>	<b>582</b>	<b>480</b>

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

Financial instruments	Fair value changes	31.12.22 \$million	31.12.21 \$million
Held at fair value through profit or loss	Possible increase	185	167
	Possible decrease	(242)	(172)
Fair value through other comprehensive income	Possible increase	60	49
	Possible decrease	(60)	(53)

## 14. Derivative financial instruments

### Accounting policy

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

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

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

### Hedge accounting

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

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

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

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

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

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

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

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

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

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

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

## 14. Derivative financial instruments continued

**Fair value hedge**

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

**Cash flow hedge**

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

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

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

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

**Net investment hedge**

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

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

	2022			2021		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
<b>Derivatives</b>						
<b>Foreign exchange derivative contracts:</b>						
Forward foreign exchange contracts	3,154,440	38,162	39,376	3,750,151	30,256	30,068
Currency swaps and options	1,168,026	16,010	17,447	1,412,055	11,492	11,659
	4,322,466	54,172	56,823	5,162,206	41,748	41,727
<b>Interest rate derivative contracts:</b>						
Swaps	3,516,310	62,001	64,005	3,609,625	31,490	31,078
Forward rate agreements and options	98,465	2,214	2,880	127,287	1,328	1,859
Exchange traded futures and options	324,702	279	258	295,192	156	132
	3,939,477	64,494	67,143	4,032,104	32,974	33,069
Credit derivative contracts	249,082	411	941	184,953	2,289	3,125
Equity and stock index options	6,788	100	246	8,714	136	160
Commodity derivative contracts	90,952	1,622	1,791	113,807	1,896	1,916
<b>Gross total derivatives</b>	<b>8,608,765</b>	<b>120,799</b>	<b>126,944</b>	<b>9,501,784</b>	<b>79,043</b>	<b>79,997</b>
Offset	–	(57,082)	(57,082)	–	(26,598)	(26,598)
<b>Net Total derivatives</b>	<b>8,608,765</b>	<b>63,717</b>	<b>69,862</b>	<b>9,501,784</b>	<b>52,445</b>	<b>53,399</b>

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

## 14. Derivative financial instruments continued

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

The Group may enter into economic hedges that do not qualify for IAS 39 hedge accounting treatment, including derivative such as interest rate swaps, interest rate futures and cross currency swaps to manage interest rate and currency risks of the Group. These derivatives are measured at fair value, with fair value changes recognised in net trading income: refer to Market risk (page 282).

The Derivatives and Hedging sections of the Risk review and Capital review (page 236 to 325) explain the Group's risk management of derivative contracts and application of hedging.

### Derivatives held for hedging

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

Included in the table above are derivatives held for hedging purposes as follows:

	2022			2021		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
<b>Derivatives designated as fair value hedges:</b>						
Interest rate swaps	80,760	2,438	2,939	78,666	957	338
Currency swaps	1,273	16	48	2,262	43	151
	82,033	2,454	2,987	80,928	1,000	489
<b>Derivatives designated as cash flow hedges:</b>						
Interest rate swaps	31,977	100	671	10,381	60	74
Forward foreign exchange contracts	11,987	99	385	72	2	–
Currency swaps	11,787	86	362	12,214	293	51
	55,751	285	1,418	22,667	355	125
<b>Derivatives designated as net investment hedges:</b>						
Forward foreign exchange contracts	14,576	120	141	13,198	88	79
<b>Total derivatives held for hedging</b>	<b>152,360</b>	<b>2,859</b>	<b>4,546</b>	<b>116,793</b>	<b>1,443</b>	<b>693</b>

### Fair value hedges

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

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

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

At 31 December 2022 the Group held the following interest rate and cross currency swaps as hedging instruments in fair value hedges of interest and currency risk.



## 14. Derivative financial instruments continued

## Fair value hedges continued

## Hedging instruments and ineffectiveness

	2022				
	Carrying amount			Change in fair value used to calculate hedge ineffectiveness <sup>2</sup> \$million	Ineffectiveness recognised in profit or loss \$million
	Notional \$million	Asset \$million	Liability \$million		
<b>Interest rate<sup>1</sup></b>					
Interest rate swaps – issued notes	41,772	112	2,914	(3,020)	(7)
Interest rate swaps – loans and advances	1,117	68	–	53	(1)
Interest rate swaps – debt securities and other eligible bills	37,871	2,258	25	3,127	13
<b>Interest and currency risk<sup>1</sup></b>					
Cross currency swaps – subordinated notes issued	72	–	4	(260)	12
Cross currency swaps – debt securities and other eligible bills	1,201	16	44	(9)	4
<b>Total at 31 December 2022</b>	<b>82,033</b>	<b>2,454</b>	<b>2,987</b>	<b>(109)</b>	<b>21</b>
2021					
	Carrying amount			Change in fair value used to calculate hedge ineffectiveness <sup>2</sup> \$million	Ineffectiveness recognised in profit or loss \$million
	Notional \$million	Asset \$million	Liability \$million		
<b>Interest rate<sup>1</sup></b>					
Interest rate swaps – issued notes	35,310	575	212	(891)	(9)
Interest rate swaps – loans and advances	2,079	19	13	13	–
Interest rate swaps – debt securities and other eligible bills	41,277	363	113	717	(1)
<b>Interest and currency risk<sup>1</sup></b>					
Cross currency swaps – subordinated notes issued	1,469	–	150	(139)	6
Cross currency swaps – debt securities and other eligible bills	793	43	1	50	–
<b>Total at 31 December 2021</b>	<b>80,928</b>	<b>1,000</b>	<b>489</b>	<b>(250)</b>	<b>(4)</b>

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

2 This represents a (loss)/ change in fair value used for calculating hedge ineffectiveness

## Hedged items in fair value hedges

	2022					Cumulative balance of fair value adjustments from de-designated hedge relationships <sup>2</sup> \$million
	Carrying amount		Accumulated amount of fair value hedge adjustments included in the carrying amount		Change in the value used for calculating hedge ineffectiveness <sup>1</sup> \$million	
	Asset \$million	Liability \$million	Asset \$million	Liability \$million		
Issued notes	–	42,702	–	2,756	3,284	414
Debt securities and other eligible bills	36,028	–	(2,075)	–	(3,100)	441
Loans and advances to customers	1,051	–	(65)	–	(54)	1
<b>Total at 31 December 2022</b>	<b>37,079</b>	<b>42,702</b>	<b>(2,140)</b>	<b>2,756</b>	<b>130</b>	<b>856</b>
2021						
	Carrying amount		Accumulated amount of fair value hedge adjustments included in the carrying amount		Change in fair value used for calculating hedge ineffectiveness <sup>1</sup> \$million	Cumulative balance of fair value adjustments from de-designated hedge relationships <sup>2</sup> \$million
	Asset \$million	Liability \$million	Asset \$million	Liability \$million		
Issued notes	–	35,206	–	31	1,029	862
Debt securities and other eligible bills	41,637	–	(363)	–	(769)	(19)
Loans and advances to customers	2,072	–	(7)	–	(14)	(1)
<b>Total at 31 December 2021</b>	<b>43,709</b>	<b>35,206</b>	<b>(370)</b>	<b>31</b>	<b>246</b>	<b>842</b>

1 This represents a gain/(loss) change in fair value used for calculating hedge ineffectiveness

2 This represents a credit/(debit) to the balance sheet value

## 14. Derivative financial instruments continued

### Income statement impact of fair value hedges

	2022 \$million Income/ (expense)	2021 \$million Income/ (expense)
Change in fair value of hedging instruments	(109)	(250)
Change in fair value of hedged risks attributable to hedged items	130	246
Net ineffectiveness gain/(loss) to net trading income	21	(4)
Amortisation gain to net interest income	141	31

### Cash flow hedges

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

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

The hedged risk is determined as the variability of future cash flows arising from changes in the designated benchmark interest rate.

### Hedging instruments and ineffectiveness

	2022					
	Notional \$million	Carrying amount		Change in fair value used to calculate hedge ineffectiveness <sup>1</sup> \$million	(Loss)/gain recognised in OCI \$million	Ineffectiveness (loss) recognised in net trading income \$million
<b>Interest rate risk</b>						
Interest rate swaps	31,977	100	671	(533)	(531)	(2)
<b>Currency risk</b>						
Forward foreign exchange contract	11,987	99	385	(141)	(141)	–
Cross currency swaps	11,787	86	362	421	426	(5)
<b>Total as at 31 December 2022</b>	<b>55,751</b>	<b>285</b>	<b>1,418</b>	<b>(253)</b>	<b>(246)</b>	<b>(7)</b>
2021						
	Notional \$million	Carrying amount		Change in fair value used to calculate hedge ineffectiveness <sup>1</sup> \$million	Gain recognised in OCI \$million	Ineffectiveness gain/(loss) recognised in net trading income \$million
<b>Interest rate risk</b>						
Interest rate swaps	10,381	60	74	77	77	–
<b>Currency risk</b>						
Forward foreign exchange contract	72	2	–	2	2	–
Cross currency swaps	12,214	293	51	297	297	–
<b>Total as at 31 December 2021</b>	<b>22,667</b>	<b>355</b>	<b>125</b>	<b>376</b>	<b>376</b>	<b>–</b>

1 This represents a gain/(loss) change in fair value used for calculating hedge ineffectiveness

## 14. Derivative financial instruments continued

## Hedged items in cash flow hedges

	2022		
	Change in fair value used for calculating hedge ineffectiveness <sup>1</sup> \$million	Cash flow hedge reserve \$million	Cumulative balance in the cash flow hedge reserve from de-designated hedge relationships \$million
Customer accounts	244	(444)	108
Debt securities and other eligible bills	(165)	(72)	(30)
Loans and advances to customers	315	(191)	(18)
Forecast cashflow currency hedge	-	-	-
Intragroup lending currency hedge	(135)	(6)	-
Intragroup borrowing currency hedge	(13)	-	-
<b>Total at 31 December 2022</b>	<b>246</b>	<b>(713)</b>	<b>60</b>

	2021		
	Change in fair value used for calculating hedge ineffectiveness <sup>1</sup> \$million	Cash flow hedge reserve <sup>2</sup> \$million	Cumulative balance in the cash flow hedge reserve from de-designated hedge relationships <sup>2</sup> \$million
Customer accounts	(95)	(9)	(15)
Debt securities and other eligible bills	(231)	(2)	-
Loans and advances to customers	23	(8)	1
Forecast cashflow currency hedge	-	-	-
Intragroup lending currency hedge	(73)	1	-
Intragroup borrowing currency hedge	-	-	-
<b>Total at 31 December 2021</b>	<b>(376)</b>	<b>(18)</b>	<b>(14)</b>

1 This represents a gain/(loss) change in fair value used for calculating hedge ineffectiveness

2 Restated to reflect the correct movement in the cashflow reserve. Refer to the following table for additional details

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

	2022 Income/ (expense) \$million	2021 Income/ (expense) \$million
Cash flow hedge reserve balance as at 1 January	(34)	(52)
(Loss)/gain recognised in other comprehensive income on effective portion of changes in fair value of hedging instruments <sup>1</sup>	(246)	376
Gain reclassified to income statement when hedged item affected net profit <sup>1</sup>	(373)	(356)
Taxation charge relating to cash flow hedges	89	(2)
<b>Cash flow hedge reserve balance as at 31 December</b>	<b>(564)</b>	<b>(34)</b>

1 The 2021 comparatives have been restated to correct a presentation error in two line items in the prior period whereby for a group of cross currency swaps designated in cash flow hedging relationships, the fair value changes presented in other comprehensive income were shown net of the effect of changes in foreign exchange rates. Following the restatement, the gain recognised in other comprehensive income for the effective portion of changes in the fair value of hedging instruments has been increased by \$377 million from \$(1) million to \$376 million and the gain reclassified to the income statement when the hedged item affected net profit, has been reduced by \$(377) million from \$21 million to \$(356) million. On the statement of comprehensive income these two line items have been combined into one line item in the current and the prior period to present the net change in other comprehensive income for cash flow hedges, with the gross movements shown in Note 14. No change is required to the income statement

## Net investment hedges

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

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

## 14. Derivative financial instruments continued

### Hedging instruments and ineffectiveness

	2022						
	Notional \$million	Carrying amount		Change in fair value used to calculate hedge ineffectiveness <sup>1</sup> \$million	Changes in the value of the hedging instrument recognised in OCI \$million	Ineffectiveness recognised in profit or loss \$million	Amount reclassified from reserves to income \$million
		Asset \$million	Liability \$million				
Derivative forward currency contracts <sup>2</sup>	14,576	120	141	512	512	–	–
2021							
	Notional \$million	Asset \$million	Liability \$million	Change in fair value used to calculate hedge ineffectiveness <sup>1</sup> \$million	Changes in the value of the hedging instrument recognised in OCI \$million	Ineffectiveness recognised in profit or loss \$million	Amount reclassified from reserves to income \$million
Derivative forward currency contracts <sup>2</sup>	13,198	88	79	116	116	–	–

1 This represents a gain/(loss) change in fair value used for calculating hedge ineffectiveness

2 These derivative forward currency contracts have a maturity of less than one year. The hedges are rolled on a periodic basis

### Hedged items in net investment hedges

	2022		
	Change in the value used for calculating hedge ineffectiveness <sup>1</sup> \$million	Translation reserve \$million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied \$million
Net investments	(512)	(21)	–
2021			
	Change in the value used for calculating hedge ineffectiveness <sup>1</sup> \$million	Translation reserve \$million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied \$million
Net investments	(116)	9	–

1 This represents a gain/(loss) change in fair value used for calculating hedge ineffectiveness

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

	2022 Income/ (expense) \$million	2021 Income/ (expense) \$million
Gains recognised in other comprehensive income	512	118

## 14. Derivative financial instruments continued

## Maturity of hedging instruments

		2022			
		Less than one month	More than one month and less than one year	One to five years	More than five years
<b>Fair value hedges</b>					
<b>Interest rate swap</b>					
Notional	\$million	2,462	8,888	53,225	16,185
Average fixed interest rate	USD	1.76%	2.29%	2.16%	1.83%
	EUR	–	2.73%	0.51%	0.56%
<b>Cross currency swap</b>					
Notional	\$million	–	1,109	164	–
Average fixed interest rate (to USD)	JPY	–	(0.62)%	–	–
	EUR	–	–	–	–
	KRO	–	–	–	–
Average exchange rate	JPY/USD	–	138.78	–	–
	EUR/USD	–	–	–	–
	KRO/USD	–	–	–	–
<b>Cash flow hedges</b>					
<b>Interest rate swap</b>					
Notional	\$million	195	16,465	14,819	498
Average fixed interest rate	HKD	–	0.35%	1.34%	–
	USD	3.80%	1.82%	1.60%	1.29%
<b>Cross currency swap</b>					
Notional	\$million	45	8,466	2,650	626
Average fixed interest rate	HKD	–	3.93%	–	0.21%
	KRO	–	3.26%	3.83%	–
	USD	–	4.15%	–	–
	TWD	(0.61)%	(1.38)%	0.32%	–
Average exchange rate	HKD/USD	–	7.84	–	7.85
	KRO/USD	–	1,342.85	1,278.62	1,300.90
	USD/HKD	–	7.84	–	–
	TWD/USD	27.74	30.77	29.73	–
<b>Forward foreign exchange contracts</b>					
Notional	\$million	1,246	10,741	–	–
Average exchange rate	JPY/USD	135.18	133.26	–	–
	TWD/USD	–	–	–	–
<b>Net investment hedges</b>					
<b>Foreign exchange derivatives</b>					
Notional	\$million	14,576	–	–	–
Average exchange rate	CNY <sup>1</sup> /USD	6.71	–	–	–
	KRW <sup>1</sup> /USD	1,296.95	–	–	–
	AED/USD	3.67	–	–	–
	TWD/USD	–	–	–	–
	HKD/USD	7.83	–	–	–

1 Offshore currency

## 14. Derivative financial instruments continued

### Maturity of hedging instruments continued

		2021			
		Less than one month	More than one month and less than one year	One to five years	More than five years
<b>Fair value hedges</b>					
<b>Interest rate swap</b>					
Notional	\$million	3,186	7,175	49,386	18,919
Average fixed interest rate	USD	2.00%	0.72%	1.05%	1.43%
	EUR	–	0.12%	(0.17)%	(0.11)%
<b>Cross currency swap</b>					
Notional	\$million	48	1,492	722	–
Average fixed interest rate (to USD)	EUR	–	1.29%	0.54%	–
	KRO	–	0.09%	–	–
Average exchange rate	EUR/USD	–	0.78	0.80	–
	KRO/USD	–	1,134.50	–	–
<b>Cash flow hedges</b>					
<b>Interest rate swap</b>					
Notional	\$million	–	4,443	4,750	1,188
Average fixed interest rate	HKD	–	0.57%	0.41%	–
	USD	–	0.08%	2.13%	1.29%
<b>Cross currency swap</b>					
Notional	\$million	152	10,260	1,802	–
Average fixed interest rate	HKD	–	0.73%	–	–
	KRO	–	1.09%	–	–
	JPY	–	(0.13)%	–	–
	TWD	(0.33)%	(0.33)%	–	–
Average exchange rate	HKD/USD	–	7.78	–	–
	KRO/USD	–	1,158.03	–	–
	JPY/USD	–	109.05	–	–
	TWD/USD	2798	27.85	–	–
<b>Forward foreign exchange contracts</b>					
Notional	\$million	–	–	72	–
Average exchange rate	CLO/USD	–	–	868.10	–
<b>Net investment hedges</b>					
<b>Foreign exchange derivatives</b>					
Notional	\$million	5,234	7,964	–	–
Average exchange rate	CNY/USD	6.57	–	–	–
	KRW/USD	1,144.04	1,185.10	–	–
	TWD/USD	27.55	27.34	–	–
	HKD/USD	–	7.05	–	–

1 Offshore currency



## 14. Derivative financial instruments continued

### Interest rate benchmark reform

The Group applies the Phase 1 'Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7' which allow the Group to assume that the interest rate benchmark on which cash flows for the hedged item and/or hedging instrument are based is not altered as a result of IBOR reform for the following activities:

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

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

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

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

- The interest rate benchmarks applicable to the Group that are in scope of the IFRS amendments are all LIBORs, EONIA, Singapore Swap Offer Rate (SGD SOR) and Thai Baht Interest Rate Fixing (THB FIX)
- EURIBOR is not in scope of the IFRS amendments because its revised methodology incorporates market transaction data, hence the benchmark is expected to continue to exist in future reporting periods

The Group assumes that the uncertainty arising from USD LIBOR will be present until 30 June 2023, at which time the amendments to IFRS no longer apply.

As at 31 December 2022, the following notional principal amounts of derivative instruments designated in fair value or cash flow hedge accounting relationships were linked to IBOR reference rates:

	Fair value hedges \$million	Cash flow hedges \$million	Total \$million	Weighted average exposure Years
<b>Interest rate swaps</b>				
USD LIBOR	35,989	24,090	60,079	2.2
GBP LIBOR	–	–	–	–
JPY LIBOR	–	–	–	–
SGD SOR	–	–	–	–
	35,989	24,090	60,079	2.2
<b>Cross currency swaps</b>				
USD LIBOR vs Fixed rate foreign currency	1,151	4,539	5,690	1.0
<b>Total notional of hedging instruments in scope of IFRS amendments as at 31 December 2022</b>	<b>37,140</b>	<b>28,629</b>	<b>65,769</b>	<b>2.1</b>

	Fair value hedges \$million	Cash flow hedges \$million	Total \$million	Weighted average exposure Years
<b>Interest rate swaps</b>				
USD LIBOR	46,615	2,636	49,251	3.6
GBP LIBOR	1,444	–	1,444	0.1
JPY LIBOR	637	–	637	0.2
SGD SOR	–	–	–	–
	48,696	2,636	51,332	3.5
<b>Cross currency swaps</b>				
USD LIBOR vs Fixed rate foreign currency	2,262	3,681	5,943	0.9
<b>Total notional of hedging instruments in scope of IFRS amendments as at 31 December 2021</b>	<b>50,958</b>	<b>6,317</b>	<b>57,275</b>	<b>3.2</b>

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

## 15. Loans and advances to banks and customers

### Accounting policy

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

	2022 \$million	2021 \$million
Loans and advances to banks	39,545	44,410
Expected credit loss	(26)	(27)
	39,519	44,383
Loans and advances to customers	316,107	304,122
Expected credit loss	(5,460)	(5,654)
	310,647	298,468
<b>Total loans and advances to banks and customers</b>	<b>350,166</b>	<b>342,851</b>

The Group has outstanding residential mortgage loans to Korea residents of \$19.1 billion (2021: \$21.7 billion) and Hong Kong residents of \$35 billion (2021: \$34.5 billion).

Analysis of loans and advances to customers by geographic region and client segment together with their related impairment provisions are set out within the Risk review and Capital review (pages 236 to 325).

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

### Accounting policy

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

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

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

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

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

### Reverse repurchase agreements and other similar secured lending

	2022 \$million	2021 \$million
Banks	24,932	19,806
Customers	65,035	68,613
	89,967	88,419
Of which:		
Fair value through profit or loss	64,491	80,009
Banks	23,954	18,727
Customers	40,537	61,282
Held at amortised cost	25,476	8,410
Banks	978	1,079
Customers	24,498	7,331

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

	2022 \$million	2021 \$million
Securities and collateral received (at fair value)	124,989	118,636
Securities and collateral which can be repledged or sold (at fair value)	123,759	117,408
Amounts repledged/transferred to others for financing activities, to satisfy liabilities under sale and repurchase agreements (at fair value)	44,628	57,879

### Repurchase agreements and other similar secured borrowing

	2022 \$million	2021 \$million
Banks	6,968	7,054
Customers	46,846	58,594
	53,814	65,648
Of which:		
Fair value through profit or loss	51,706	62,388
Banks	5,737	5,107
Customers	45,969	57,281
Held at amortised cost	2,108	3,260
Banks	1,231	1,947
Customers	877	1,313

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

	2022				
	Fair value through profit or loss \$million	Fair value through Other Comprehensive Income \$million	Amortised cost \$million	Off-balance sheet \$million	Total \$million
<b>Collateral pledged against repurchase agreements</b>					
<b>On-balance sheet</b>					
Debt securities and other eligible bills	2,956	3,630	4,917	–	11,503
<b>Off-balance sheet</b>					
Repledged collateral received	–	–	–	44,628	44,628
<b>At 31 December 2022</b>	<b>2,956</b>	<b>3,630</b>	<b>4,917</b>	<b>44,628</b>	<b>56,131</b>
	2021				
	Fair value through profit or loss \$million	Fair value through Other Comprehensive Income \$million	Amortised cost \$million	Off-balance sheet \$million	Total \$million
<b>Collateral pledged against repurchase agreements</b>					
<b>On-balance sheet</b>					
Debt securities and other eligible bills	3,427	2,655	2,601	–	8,683
<b>Off-balance sheet</b>					
Repledged collateral received	–	–	–	57,879	57,879
<b>At 31 December 2021</b>	<b>3,427</b>	<b>2,655</b>	<b>2,601</b>	<b>57,879</b>	<b>66,562</b>

## 17. Goodwill and intangible assets

### Accounting policy

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in Investments in associates and joint ventures. Goodwill included in intangible assets is assessed at each balance sheet date for impairment and carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Detailed calculations are performed based on forecasting expected cash flows of the relevant cash generating units (CGUs) and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgement. Goodwill is allocated to CGUs for the purpose of impairment testing. CGUs represent the lowest level within the Group which generate separate cash inflows and at which the goodwill is monitored for internal management purposes. These are equal to or smaller than the Group's reportable segments (as set out in Note 2) as the Group views its reportable segments on a global basis. The major CGUs to which goodwill has been allocated are set out in the CGU table (page 410).

#### Other accounting estimates and judgements

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

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

#### Acquired intangibles

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

#### Computer software

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

Internally generated software represents substantially all of the total software capitalised. Direct costs of the development of separately identifiable internally generated software are capitalised where it is probable that future economic benefits attributable to the software will flow from its use. These costs include staff remuneration costs such as salaries, statutory payments and share-based payments, materials, service providers and contractors provided their time is directly attributable to the software build. Costs incurred in the ongoing maintenance of software are expensed immediately when incurred. Internally generated software is amortised over each asset's useful life to a maximum of 10-years. On an annual basis software assets' residual values and useful lives are reviewed, including assessing for indicators of impairment. Indicators of impairment include loss of business relevance, obsolescence, exit of the business to which the software relates, technological changes, change in use of the asset, reduction in useful life, plans to reduce usage or scope.

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

Software as a Service (SaaS) is a contractual arrangement that conveys the right to receive access to the supplier's software application over the contract term. As such, the Group does not have control and as a result recognises an operating expense for these costs over the contract term. Certain costs related to implementation of the SaaS may meet the definition of an intangible asset in their own right if it is separately identifiable and control is established. These costs are capitalised if it is expected to provide the Group with future economic benefits flowing from the underlying resource and the Group can restrict others from accessing those benefits.

## 17. Goodwill and intangible assets continued

	2022				2021			
	Goodwill \$million	Acquired intangibles \$million	Computer software \$million	Total \$million	Goodwill \$million	Acquired intangibles \$million	Computer software \$million	Total \$million
<b>Cost</b>								
At 1 January	2,595	457	4,464	7,516	2,617	473	3,682	6,772
Exchange translation differences	(108)	(26)	(22)	(156)	(22)	(14)	(73)	(109)
Additions	-	-	1,096	1,096	-	-	989	989
Impairment	(14)	-	(7)	(21)	-	-	-	-
Amounts written off	-	(136)	(348)	(484)	-	(2)	(134)	(136)
Classified as held for sale	(2)	-	(5)	(7)	-	-	-	-
<b>At 31 December</b>	<b>2,471</b>	<b>295</b>	<b>5,178</b>	<b>7,944</b>	<b>2,595</b>	<b>457</b>	<b>4,464</b>	<b>7,516</b>
<b>Provision for amortisation</b>								
At 1 January	-	437	1,608	2,045	-	451	1,258	1,709
Exchange translation differences	-	(29)	(11)	(40)	-	(22)	(20)	(42)
Amortisation	-	4	531	535	-	8	461	469
Impairment charge	-	-	5	5	-	-	4	4
Amounts written off	-	(136)	(331)	(467)	-	-	(95)	(95)
Classified as held for sale	-	-	(3)	(3)	-	-	-	-
<b>At 31 December</b>	<b>-</b>	<b>276</b>	<b>1,799</b>	<b>2,075</b>	<b>-</b>	<b>437</b>	<b>1,608</b>	<b>2,045</b>
<b>Net book value</b>	<b>2,471</b>	<b>19</b>	<b>3,379</b>	<b>5,869</b>	<b>2,595</b>	<b>20</b>	<b>2,856</b>	<b>5,471</b>

At 31 December 2022, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to \$3,331 million (31 December 2021: \$3,317 million), of which \$14 million was recognised in 2022 (31 December 2021: Nil).

**Outcome of impairment assessment**

An annual assessment is made as to whether the current carrying value of goodwill is impaired. For the purposes of impairment testing, goodwill is allocated at the date of acquisition to a CGU. Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. Indicators of impairment include changes in the economic performance and outlook of the region including geopolitical changes, changes in market value of regional investments, large credit defaults and strategic decisions to exit certain regions. The recoverable amounts for all the CGUs were measured based on value in use (VIU). The calculation of VIU for each CGU is calculated using five-year cashflow projections and an estimated terminal value based on a perpetuity value after year five. The cashflow projections are based on forecasts approved by management up to 2027. The perpetuity terminal value amount is calculated using year five cashflows using long-term GDP growth rates. All cashflows are discounted using discount rates which reflect market rates appropriate to the CGU. Post-tax discount rates are used to calculate the VIU using the post-tax cashflows. The post-tax discount rate is subsequently grossed up to pre-tax discount rate. The calculated VIU using post-tax and pre-tax discount rate is same.

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

Cash generating unit	2022			2021		
	Goodwill \$million	Pre Tax discount rates per cent	Long-term forecast GDP growth rates per cent	Goodwill \$million	Pre Tax discount rates per cent	Long-term forecast GDP growth rates per cent
<b>Country CGUs</b>						
<b>Asia</b>	<b>1,032</b>			<b>1,073</b>		
Hong Kong	357	12.4	1.7	357	10.6	2.5
Taiwan	333	11.3	1.7	361	10.4	2.0
Singapore	342	12.3	2.3	341	11.6	2.4
Bangladesh	-	24.3	5.4	14	15.0	7.3
<b>Africa &amp; Middle East</b>	<b>85</b>			<b>92</b>		
Pakistan	36	30.9	5.9	43	22.2	6.0
Bahrain	49	16.6	0.7	49	13.1	3.0
<b>Global CGUs</b>	<b>1,354</b>			<b>1,430</b>		
Global Private Banking	83	14.5	2.0	84	12.4	2.5
Corporate, Commercial & Institutional Banking	1,271	14.7	2.5	1,346	12.5	3.0
	<b>2,471</b>			<b>2,595</b>		

Bangladesh has had all the goodwill allocated to them written off, totalling \$14 million. This was primarily due to lower economic growth forecasts and higher discount rates. As a result, the carrying amount of Bangladesh CGU, which included goodwill, was greater than the recoverable amount (VIU of \$83 million).

## 17. Goodwill and intangible assets continued

The Group has performed sensitivity analysis on the key assumptions for each CGU's recoverable amount. Hong Kong CGU is considered sensitive to the key variables and any individual movements on the estimates (cashflow, discount rate and GDP growth rate) up to the levels disclosed below would eliminate the current headroom.

CGU	2022															
	Sensitivities															
	Base Case				GDP		Discount rate		Cashflow		Cashflow		Cash-flow	Downside scenario	Extreme downside scenario	
	Goodwill \$million	Head-room \$million	Pre Tax Discount Rate	GDP	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	GDP -1%	GDP -1%
															DR +1%	DR +1%
															CF -10%	CF -20%
	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million
Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	Head-room \$million	
Hong Kong	357	1,115	12.40%	1.66%	1,810	572	361	2,076	2,142	91	3,168	(935)	(1,961)	(911)	(1,760)	

The table above represents reasonably possible scenarios that could occur if either; economic factors (which drive GDP rates and discount rates); country-specific cash flows; or a combination of both are different from the assumptions used in the goodwill impairment assessment at 31 December 2022.

For there to be no headroom, the discount rate will need to increase by 1.57 per cent. Similarly, the GDP rates will need to decrease by 2.35 per cent and cashflows would need to decrease by 10.89 per cent.

### Acquired intangibles

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

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

	2022 \$million	2021 \$million
Acquired intangibles comprise:		
Aircraft maintenance	5	5
Brand names	1	1
Customer relationships	1	3
Licenses	12	11
<b>Net book value</b>	<b>19</b>	<b>20</b>



## 18. Property, plant and equipment

### Accounting policy

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

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

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

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

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

- Owned premises
- Leasehold premises
- Leasehold improvements
- Equipment and motor vehicles
- Aircraft
- Ships
- up to 50 years
- up to 50 years
- shorter of remaining lease term and 10 years
- three to 15 years
- up to 18 years
- up to 15 years

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

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

### Other accounting estimates and judgements

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

	2022					
	Premises \$million	Equipment \$million	Operating lease assets \$million	Leased premises assets \$million	Leased equipment assets \$million	Total \$million
<b>Cost or valuation</b>						
At 1 January	1,980	901	4,248	1,854	33	9,016
Exchange translation differences	(90)	(65)	–	(111)	(4)	(270)
Additions <sup>1</sup>	87	124	624	339	1	1,175
Disposals and fully depreciated assets written off <sup>2</sup>	(142)	(102)	(452)	(425)	(1)	(1,122)
Transfers to assets held for sale	(62)	(18)	–	(5)	–	(85)
<b>As at 31 December</b>	<b>1,773</b>	<b>840</b>	<b>4,420</b>	<b>1,652</b>	<b>29</b>	<b>8,714</b>
<b>Depreciation</b>						
Accumulated at 1 January	795	611	1,155	819	20	3,400
Exchange translation differences	(39)	(39)	–	(33)	(3)	(114)
Charge for the year	76	116	202	250	7	651
Impairment charge	1	–	40	9	–	50
Attributable to assets sold, transferred or written off <sup>2</sup>	(125)	(101)	(212)	(313)	–	(751)
Transfers to assets held for sale	(30)	(12)	–	(2)	–	(44)
<b>Accumulated at 31 December</b>	<b>678</b>	<b>575</b>	<b>1,185</b>	<b>730</b>	<b>24</b>	<b>3,192</b>
<b>Net book amount at 31 December</b>	<b>1,095</b>	<b>265</b>	<b>3,235</b>	<b>922</b>	<b>5</b>	<b>5,522</b>

<sup>1</sup> Refer to the cash flow statement under cash flows from investing activities section for the purchase of property, plant and equipment during the year of \$835 million on page 344

<sup>2</sup> Disposals for property, plant and equipment during the year of \$343 million in the cash flow statement would include the gains and losses incurred as part of other operating income (Note 6) on disposal of assets during the year and the net book value disposed

## 18. Property, plant and equipment continued

	2021					
	Premises \$million	Equipment \$million	Operating lease assets \$million	Leased premises assets \$million	Leased equipment assets \$million	Total \$million
<b>Cost or valuation</b>						
At 1 January	2,048	874	5,233	1,577	31	9,763
Exchange translation differences	(63)	(13)	–	(38)	(1)	(115)
Additions <sup>1</sup>	107	135	110	373	4	729
Disposals and fully depreciated assets written off <sup>2</sup>	(100)	(95)	(1,095)	(58)	(1)	(1,349)
Transfers to assets held for sale	(12)	–	–	–	–	(12)
<b>As at 31 December</b>	<b>1,980</b>	<b>901</b>	<b>4,248</b>	<b>1,854</b>	<b>33</b>	<b>9,016</b>
<b>Depreciation</b>						
Accumulated at 1 January	770	594	1,336	536	12	3,248
Exchange translation differences	(15)	(14)	–	(15)	–	(44)
Charge for the year	74	121	213	296	8	712
Impairment charge	–	–	64	42	–	106
Attributable to assets sold, transferred or written off <sup>2</sup>	(31)	(90)	(458)	(40)	–	(619)
Transfers to assets held for sale	(3)	–	–	–	–	(3)
<b>Accumulated at 31 December</b>	<b>795</b>	<b>611</b>	<b>1,155</b>	<b>819</b>	<b>20</b>	<b>3,400</b>
<b>Net book amount at 31 December</b>	<b>1,185</b>	<b>290</b>	<b>3,093</b>	<b>1,035</b>	<b>13</b>	<b>5,616</b>

1 Refer to the cash flow statement under cash flows from investing activities section for the purchase of property, plant and equipment during the year of \$352 million on page 344

2 Disposals for property, plant and equipment during the year of \$816 million in the cash flow statement would include the gains and losses incurred as part of other operating income (Note 6) on disposal of assets during the year and the net book value disposed

### Operating lease assets

The operating lease assets subsection of property, plant and equipment is the Group's aircraft operating leasing business, consisting of 99 commercial aircraft at 31 December 2022, of which 97 are narrow-bodies and 2 are wide-bodies. The leases are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to the ownership of the assets, and rental income from operating lease assets is disclosed in Note 6. At 31 December 2022, these assets had a net book value of \$3,235 million (31 December 2021: \$3,093 million).

Under these leases the lessee is responsible for the maintenance and servicing of the aircraft during the lease term while the Group receives rental income and assumes the risks of the residual value of the aircraft at the end of the lease. Initial lease terms range in length up to 12 years, while the average remaining lease term at 31 December 2022 is approximately five years. By varying the lease terms the effects of changes in cyclical market conditions at the time aircraft become eligible for re-lease are mitigated. The Group will look at entering into a lease extension with existing lessees well in advance of lease expiry in order to minimise the risk of aircraft downtime and aircraft transition costs. Aircraft may also be sold from time to time to manage the composition and average age of the fleet.

A series of stress sensitivities conducted on the narrow-body portfolio highlight the two biggest risks remain either an increase in the discount rate, as the majority of the leased portfolio is valued on a VIU basis, or a substantial number of airline clients defaulting. A sensitivity test was performed on the narrow-body portfolio assuming a discount rate increase of 50 basis points from a base range of 4.50%-5.75% (31 December 2021: 4.50%-5.50%), which resulted in a possible increase in impairment of \$34 million.

A further sensitivity test considered that the lessees with lower credit ratings defaulted on their current leases. This scenario would result in a possible increase in impairment of \$34 million.

	2022 Minimum lease receivables under operating leases falling due: \$million	2021 Minimum lease receivables under operating leases falling due: \$million
Within one year	358	330
One to two years	337	285
Two to three years	286	251
Three to four years	242	197
Four to five years	211	153
After five years	546	411
	<b>1,980</b>	<b>1,627</b>

## 19. Leased assets

### Accounting policy

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

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

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

If a leased premise, or a physically distinct portion of a premise such as an individual floor, is deemed by management to be surplus to the Group's needs and action has been taken to abandon the space before the lease expires, this is considered an indicator of impairment. An impairment loss is recognised if the right-of-use asset, or portion thereof, has a carrying value in excess of its value-in-use when taking into account factors such as the ability and likelihood of obtaining a subtenant.

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

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

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

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

The total cash outflow during the year for premises and equipment leases was \$310 million (2021: \$331 million).

The total expense during the year in respect of leases with a term less than or equal to 12 months was \$nil (2021: \$1 million).

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

### Maturity analysis

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

	2022				Total \$million
	One year or less \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years \$million	
Other liabilities – lease liabilities	272	239	437	310	1,258
	2021				Total \$million
	One year or less \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years \$million	
Other liabilities – lease liabilities	293	247	521	175	1,236

## 20. Other assets

### Accounting policy

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

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

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

Other assets include:

	2022 \$million	2021 \$million
Financial assets held at amortized cost (Note 13):		
Hong Kong SAR Government certificates of indebtedness (Note 23) <sup>1</sup>	7,106	7,284
Cash collateral	12,515	9,217
Acceptances and endorsements	5,264	4,930
Unsettled trades and other financial assets	14,410	18,637
	39,295	40,068
Non-financial assets:		
Commodities and emissions certificates <sup>2</sup>	10,598	9,265
Other assets	490	599
	50,383	49,932

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

2 Commodities and emissions certificates are carried at fair value less costs to sell, \$6 billion (31 December 2021: \$5.7 billion) are classified as Level 1 and \$4.6 billion are classified as Level 2 (31 December 2021: \$3.6 billion)

## 21. Assets held for sale and associated liabilities

### Accounting Policy

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

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

Immediately before the initial classification as held for sale, the carrying amounts of the assets are measured in accordance with the applicable accounting policies related to the asset or liability before reclassification as held for sale. Upon reclassification property, plant and equipment are measured at the lower of their carrying amount and fair value less costs to sell. Financial instruments continue to be measured per the accounting policies in Note 13 Financial instruments.

The assets below have been presented as held for sale following the approval of Group management and the transactions are expected to complete in 2023.

Following a decision by the Board of Directors to exit certain markets in Africa & Middle East, the assets and liabilities of those markets have been moved to 'Held for sale'.

### Assets held for sale

The financial assets reported below are classified under Level 1 \$345 million (2021: Nil), Level 2 \$946million (2021: Nil) and Level 3 \$100 million (2021: \$95 million).

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

	2022 \$million	2021 \$million
<b>Financial assets held at fair value through profit or loss</b>	<b>3</b>	<b>43</b>
Loans and advances to customers	–	20
Equity shares	2	23
Derivative financial instruments – Assets	1	–
<b>Financial assets held at amortised cost</b>	<b>1,388</b>	<b>52</b>
Cash and balances at central banks	423	–
Loans and advances to banks	81	–
Loans and advances to customers	508	52
Debt securities held at amortised cost	376	–
Goodwill and intangible assets	4	–
<b>Property, plant and equipment</b>	<b>174</b>	<b>239</b>
Vessels <sup>1</sup>	133	230
Others	41	9
Others	56	–
	<b>1,625</b>	<b>334</b>

<sup>1</sup> Disposal of property, plant and equipment classified under assets held for sale during 2022 was \$79 million (2021: \$149 million).

**Liabilities held for sale**

The financial liabilities reported below are classified under Level 1 \$402million (2021: Nil) and Level 2 \$833 million (2021: Nil).

	2022 \$million	2021 \$million
<b>Financial liabilities held at fair value through profit or loss</b>	<b>5</b>	<b>–</b>
Derivative financial instruments	5	–
<b>Financial liabilities held at amortised cost</b>	<b>1,230</b>	<b>–</b>
Deposits by banks	17	–
Customer accounts	1,213	–
Other liabilities	64	–
Provisions for liabilities and charges	8	–
	<b>1,307</b>	<b>–</b>

## 22. Debt securities in issue

### Accounting policy

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

	2022			2021		
	Certificates of deposit of \$100,000 or more \$million	Other debt securities in issue \$million	Total \$million	Certificates of deposit of \$100,000 or more \$million	Other debt securities in issue \$million	Total \$million
Debt securities in issue	23,457	37,785	61,242	23,896	37,397	61,293
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (Note13)	–	8,572	8,572	–	5,597	5,597
<b>Total debt securities in issue</b>	<b>23,457</b>	<b>46,357</b>	<b>69,814</b>	<b>23,896</b>	<b>42,994</b>	<b>66,890</b>

In 2022, the Company issued a total of \$5.2 billion senior notes for general business purposes of the Group as shown below:

Securities	\$million
CNH 1,100 million fixed rate senior notes due 2026 (callable 2025)	158
\$1,250 million fixed rate senior notes due 2028 (callable 2027)	1,250
\$1,000 million fixed rate senior notes due 2026 (callable 2025)	1,000
\$500 million floating rate senior notes due 2026 (callable 2025)	500
SGD 255 million fixed rate senior notes due 2033 (callable 2032)	190
HKD 800 million fixed rate senior notes due 2025 (callable 2024)	102
\$1,000 million fixed rate senior notes due 2025 (callable 2024)	1,000
\$1,000 million fixed rate senior notes due 2028 (callable 2027)	1,000
<b>Total Senior Notes issued</b>	<b>5,200</b>

In 2021, the Company issued a total of \$6.8 billion senior notes for general business purposes of the Group as shown below:

Securities	\$million
\$500 million fixed rate senior notes due 2025 (callable 2024)	500
\$500 million floating rate senior notes due 2025 (callable 2024) <sup>1</sup>	500
EUR 500 million fixed rate senior notes due 2029 (callable 2028)	569
\$1,000 million fixed rate senior notes due 2025 (callable 2024)	1,000
\$1,250 million fixed rate senior notes due 2032 (callable 2031)	1,250
\$1,500 million fixed rate senior notes due 2025 (callable 2024)	1,500
\$1,500 million fixed rate senior notes due 2027 (callable 2026)	1,500
<b>Total Senior Notes issued</b>	<b>6,819</b>

<sup>1</sup> These notes will be subject to remediation under interest rate benchmark reform. Please refer to Note 13 for further information on this



## 23. Other liabilities

### Accounting policy

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

	2022 \$million	2021 \$million
<b>Financial liabilities held at amortised cost (Note 13)</b>		
Notes in circulation <sup>1</sup>	7,106	7,284
Acceptances and endorsements	5,264	4,930
Cash collateral	9,206	8,092
Property leases <sup>2</sup>	1,029	1,170
Equipment leases <sup>2</sup>	8	17
Unsettled trades and other financial liabilities	20,302	21,940
	<b>42,915</b>	<b>43,433</b>
<b>Non-financial liabilities</b>		
Cash-settled share-based payments	81	55
Other liabilities	531	826
	<b>43,527</b>	<b>44,314</b>

1 Hong Kong currency notes in circulation of \$7,106 million (2021: \$7,284 million) that are secured by the Government of Hong Kong SAR certificates of indebtedness of the same amount included in Other assets (Note 20)

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

## 24. Provisions for liabilities and charges

### Accounting policy

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

### Other accounting estimates and judgements

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

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

	2022			2021		
	Provision for credit commitments \$million	Other provisions \$million	Total \$million	Provision for credit commitments \$million	Other provisions \$million	Total \$million
At 1 January	346	107	453	367	99	466
Exchange translation differences	(39)	(2)	(41)	9	(1)	8
Transfer	–	–	–	–	2	2
Charge against profit	(27)	69	42	(30)	54	24
Provisions utilised	–	(71)	(71)	–	(47)	(47)
<b>At 31 December</b>	<b>280</b>	<b>103</b>	<b>383</b>	<b>346</b>	<b>107</b>	<b>453</b>

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

Other provisions include \$14 million (31 December 2021: \$17 million) recognised for certain contracts with suppliers for which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received. It is expected that the costs will be incurred over the next 5 years.

Other provisions consist mainly of provisions for legal claims and regulatory and enforcement investigations and proceedings.

## 25. Contingent liabilities and commitments

### Accounting policy

#### Financial guarantee contracts and loan commitments

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

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

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

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

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

	2022 \$million	2021 \$million
<b>Financial guarantees and trade credits</b>		
Financial guarantees, trade credits and irrevocable letters of credit	60,410	58,535
	60,410	58,535
<b>Commitments</b>		
Undrawn formal standby facilities, credit lines and other commitments to lend		
One year and over	69,597	69,542
Less than one year	31,688	27,306
Unconditionally cancellable	67,383	61,675
	168,668	158,523
<b>Capital commitments</b>		
Contracted capital expenditure approved by the directors but not provided for in these accounts <sup>1</sup>	257	124

<sup>1</sup> Of which the Group has commitments totalling \$209 million to purchase aircraft for delivery in 2023 (2021: \$96 million). Pre-delivery payments of \$40 million (2021: \$26 million) have been made in respect of these commitments

As set out in Note 26, the Group has contingent liabilities in respect of certain legal and regulatory matters for which it is not practicable to estimate the financial impact as there are many factors that may affect the range of possible outcomes.

## 26. Legal and regulatory matters

### Accounting policy

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

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

Since 2014, the Group has been named as a defendant in a series of lawsuits that have been filed in the United States District Courts for the Southern and Eastern Districts of New York against a number of banks (including Standard Chartered Bank or its affiliates) on behalf of plaintiffs who are, or are relatives of, victims of various terrorist attacks in Iraq and Afghanistan. The most recent lawsuit was filed in April 2022 and concerns terrorist attacks that occurred in Afghanistan between 2013 and 2016. None of these lawsuits have specified the amount of damages claimed. The plaintiffs in each of these lawsuits have alleged that the defendant banks aided and abetted the unlawful conduct of parties with connections to terrorist organisations in breach of the U.S. Anti-Terrorism Act. The courts have ruled in favour of the banks' motions to dismiss in six of these lawsuits, including a ruling issued in December 2022 in which the United States District Court for the Eastern District of New York dismissed a lawsuit filed in August 2021. In January 2023 a panel of the United States Court of Appeals for the Second Circuit upheld a September 2019 ruling by the United States District Court for the Eastern District of New York in which a lawsuit filed in November 2014 was dismissed. While a ruling is awaited in respect of the Group's motion to dismiss the lawsuit filed in April 2022, the other lawsuits are currently stayed pending a ruling by the United States Supreme Court in another U.S. Anti-Terrorism Act case in which SCB is not involved. An appeal from the December 2022 dismissal ruling is also pending.

In January 2020, a shareholder derivative complaint was filed by the City of Philadelphia in New York State Court against 45 current and former directors and senior officers of the Group. It is alleged that the individuals breached their duties to the Group and caused a waste of corporate assets by permitting the conduct that gave rise to the costs and losses to the Group related to legacy conduct and control issues. In March 2021, an amended complaint was served in which SCB and seven individuals were removed from the case. Standard Chartered PLC and Standard Chartered Holdings Limited remained as named "nominal defendants" in the complaint. In May 2021, Standard Chartered PLC filed a motion to dismiss the complaint. In February 2022, the New York State Court ruled in favour of Standard Chartered PLC's motion to dismiss the complaint. The plaintiffs are pursuing an appeal against the February 2022 ruling. A hearing date for the plaintiffs' appeal is awaited.

Since October 2020, four lawsuits have been filed in the English High Court against Standard Chartered PLC on behalf of more than 300 shareholders in relation to alleged untrue and/or misleading statements and/or omissions in information published by Standard Chartered PLC in its rights issue prospectuses of 2008, 2010 and 2015 and/or public statements regarding the Group's historic sanctions, money laundering and financial crime compliance issues. These lawsuits have been brought under sections 90 and 90A of the Financial Services and Markets Act 2000. These lawsuits are at an early procedural stage.

Bernard Madoff's 2008 confession to running a Ponzi scheme through Bernard L. Madoff Investment Securities LLC (BMIS) gave rise to a number of lawsuits against the Group. BMIS and the Fairfield funds (which invested in BMIS) are in bankruptcy and liquidation, respectively. Between 2010 and 2012, five lawsuits were brought against the Group by the BMIS bankruptcy trustee and the Fairfield funds' liquidators, in each case seeking to recover funds paid to the Group's clients pursuant to redemption requests made prior to BMIS' bankruptcy filing. The total amount sought in these cases exceeds USD 300 million, excluding any pre-judgment interest that may be awarded. The four lawsuits commenced by the Fairfield funds' liquidators have been dismissed and the appeals of those dismissals by the funds' liquidators are ongoing.

The Group has concluded that the threshold for recording provisions pursuant to IAS 37 Provisions, Contingent Liabilities and Contingent Assets is not met with respect to the above matters; however, the outcomes of these lawsuits are inherently uncertain and difficult to predict.

## 27. Subordinated liabilities and other borrowed funds

### Accounting policy

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

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

	2022 \$million	2021 \$million
<b>Subordinated loan capital – issued by subsidiary undertakings</b>		
£200 million 7.75 per cent subordinated notes (callable 2022) <sup>1</sup>	–	48
\$700 million 8.0 per cent subordinated notes due 2031 (callable 2026) <sup>1</sup>	345	418
	345	466
<b>Subordinated loan capital – issued by the Company<sup>2</sup></b>		
Primary capital floating rate notes:		
\$400 million floating rate undated subordinated notes <sup>3</sup>	16	16
\$300 million floating rate undated subordinated notes (Series 2) <sup>3</sup>	69	69
\$400 million floating rate undated subordinated notes (Series 3) <sup>3</sup>	50	50
\$200 million floating rate undated subordinated notes (Series 4) <sup>3</sup>	26	26
£900 million 5.125 per cent subordinated notes due 2034	587	848
\$2 billion 5.7 per cent subordinated notes due 2044	2,172	2,361
\$2 billion 3.95 per cent subordinated notes due 2023	1,999	2,027
\$1 billion 5.7 per cent subordinated notes due 2022	–	1,000
\$1 billion 5.2 per cent subordinated notes due 2024	1,017	1,049
\$750 million 5.3 per cent subordinated notes due 2043	679	788
€750 million 3.625 per cent subordinated notes due 2022	–	868
€500 million 3.125 per cent subordinated notes due 2024	502	585
\$1.25 billion 4.3 per cent subordinated notes due 2027	1,119	1,250
\$1 billion 3.516 per cent subordinated notes due 2030 (callable 2025)	938	1,012
\$500 million 4.886 per cent subordinated notes due 2033 (callable 2028)	473	543
£ 96.035m 7.375% non-cumulative Irredeemable preference shares (reclassified as Debt)	116	129
£ 99.250m 8.25% non-cumulative Irredeemable preference shares (reclassified as Debt)	119	134
\$750 million 3.604% fixed rate reset dated subordinated notes due 2033	630	–
€ 1 billion 2.5 per cent subordinated debt 2030	967	1,123
\$1.25 billion 3.265 per cent subordinated notes due 2036	1,002	1,188
€1 billion 1.200 per cent. fixed rate reset dated subordinated notes due 2031	891	1,114
	13,370	16,180
<b>Total for Group</b>	<b>13,715</b>	<b>16,646</b>

1 Issued by Standard Chartered Bank

2 In the balance sheet of the Company the amount recognised is \$13,684 million (2021: \$16,162 million), with the difference being external notes and the effect of hedge accounting achieved on a Group basis

3 These notes will be subject to remediation under interest rate benchmark reform. Please refer to Note 13 for further information on this

**27. Subordinated liabilities and other borrowed funds** continued

	2022			
	USD \$million	GBP \$million	EUR \$million	Total \$million
Fixed rate subordinated debt	10,372	822	2,360	13,554
Floating rate subordinated debt	161	–	–	161
<b>Total</b>	<b>10,533</b>	<b>822</b>	<b>2,360</b>	<b>13,715</b>

	2021			
	USD \$million	GBP \$million	EUR \$million	Total \$million
Fixed rate subordinated debt	11,636	1,160	3,689	16,485
Floating rate subordinated debt	161	–	–	161
<b>Total</b>	<b>11,797</b>	<b>1,160</b>	<b>3,689</b>	<b>16,646</b>

**Redemptions and repurchases during the year**

On 25 January 2022, Standard Chartered PLC exercised its right to redeem USD 1 billion 5.7 per cent subordinated notes 2022. Further redemption of €750 million 3.625 per cent subordinated notes 2022 & £200 million 7.75 per cent subordinated notes 2022 was made during the year 2022.

**Issuance during the year**

On 12 January 2022, Standard Chartered PLC issued USD 750 million 3.603 per cent fixed rate reset dated subordinated notes due 2033.

**28. Share capital, other equity instruments and reserves****Accounting policy**

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

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

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

	Number of ordinary shares millions	Ordinary share capital <sup>1</sup> \$million	Ordinary share premium \$million	Preference share premium <sup>2</sup> \$million	Total share capital and share premium \$million	Other equity instruments \$million
At 1 January 2021	3,156	1,578	3,986	1,494	7,058	4,518
Cancellation of shares including share buy-back	(77)	(39)	–	–	(39)	–
Additional Tier 1 equity issuance	–	–	–	–	–	2,728
Additional Tier 1 equity redemption	–	–	–	–	–	(992)
Other movements	–	–	3	–	3	–
<b>At 31 December 2021</b>	<b>3,079</b>	<b>1,539</b>	<b>3,989</b>	<b>1,494</b>	<b>7,022</b>	<b>6,254</b>
Cancellation of shares including share buy-back	(184)	(92)	–	–	(92)	–
Additional Tier 1 equity issuance	–	–	–	–	–	1,240
Additional Tier 1 redemption	–	–	–	–	–	(990)
<b>At 31 December 2022</b>	<b>2,895</b>	<b>1,447</b>	<b>3,989</b>	<b>1,494</b>	<b>6,930</b>	<b>6,504</b>

1 Issued and fully paid ordinary shares of 50 cents each

2 Includes preference share capital of \$75,000

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

### Share buy-back

On 18 February 2022, the Group announced the buy-back programme for a share buy-back of its ordinary shares of \$0.50 each. Nominal value of share purchases was \$56 million, and the total consideration paid was \$754 million (including \$4 million of fees and stamp duty). The buy-back completed on 19 May 2022. The total number of shares purchased was 111,295,408, representing 3.61 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account. The shares were purchased by Standard Chartered PLC on various exchanges not including the Hong Kong Stock Exchange.

	Number of ordinary shares	Highest price paid £	Lowest price paid £	Average price paid per share £	Aggregate price paid £	Aggregate price paid \$
February 2022	14,397,852	5.85000	5.14800	5.55490	79,978,036	107,767,620
March 2022	49,510,420	5.44800	4.31400	4.94560	244,860,409	322,288,357
April 2022	29,085,345	5.27000	4.78700	5.05870	147,135,270	190,912,883
May 2022	18,301,791	5.99400	5.44800	5.71980	104,682,211	129,028,610
August 2022	27,826,349	6.23600	5.61600	5.97660	166,308,114	199,113,059
September 2022	34,714,694	6.27000	5.51400	5.93440	206,009,962	232,644,256
October 2022	10,532,794	5.91800	5.49600	5.74910	60,554,337	68,239,759

### Ordinary share capital

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

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

### Preference share capital

At 30 June 2022, the Company has 15,000 \$5 non-cumulative redeemable preference shares in issue, with a premium of \$99,995 making a paid up amount per preference share of \$100,000. The preference shares are redeemable at the option of the Company and are classified in equity.

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

### Other equity instruments

The table provides details of outstanding fixed rate resetting perpetual subordinated contingent convertible AT1 securities issued by Standard Chartered PLC. All issuances are made for general business purposes and to increase the regulatory capital base of the Group.

Issuance date	Nominal value	Proceeds net of issue costs	Interest rate <sup>2</sup>	Coupon payment dates <sup>3</sup>	First reset dates <sup>4</sup>	Conversion price per ordinary share
18 August 2016	USD 999 million <sup>1</sup>	USD 990 million	7.50%	2 April, 2 October each year	2 April 2022	USD 7.732
18 January 2017	USD 1,000 million	USD 992 million	7.75%	2 April, 2 October each year	2 April 2023	USD 7.732
3 July 2019	SGD 750 million	USD 552 million	5.375%	3 April, 3 October each year	3 October 2024	SGD 10.909
26 Jun 2020	USD 1,000 million	USD 992 million	6%	26 January, 26 July each year	26 January 2026	USD 5.331
14 January 2021	USD 1,250 million	USD 1,239 million	4.75%	14 January, 14 July each year	14 July 2031	USD 6.353
19 August 2021	USD 1,500 million	USD 1,489 million	4.30%	19 February, 19 August each year	19 August 2028	USD 6.382
15 August 2022	USD 1,250 million	USD 1,239 million	7.75%	15 February, 15 August each year	15 February 2028	USD 7.333

1 During the period, the Group repurchased around USD 1,001 million of these securities via a tender offer

2 Interest rates for the period from (and including) the issue date to (but excluding) the first reset date

3 Interest payable semi-annually in arrears

4 Securities are resettable each date falling five years, or an integral multiple of five years, after the first reset date

Standard Chartered PLC redeemed \$999 million fixed rate resetting perpetual contingent convertible securities on its first optional redemption date of 2 April 2022.

The AT1 issuances above are primarily purchased by institutional investors.



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

The principal terms of the AT1 securities are described below:

- The securities are perpetual and redeemable, at the option of Standard Chartered PLC in whole but not in part, on the first interest reset date and each date falling five years after the first reset date
- The securities are also redeemable for certain regulatory or tax reasons on any date at 100 per cent of their principal amount together with any accrued but unpaid interest up to (but excluding) the date fixed for redemption. Any redemption is subject to Standard Chartered PLC giving notice to the relevant regulator and the regulator granting permission to redeem
- Interest payments on these securities will be accounted for as a dividend.
- Interest on the securities is due and payable only at the sole and absolute discretion of Standard Chartered PLC, subject to certain additional restrictions set out in the terms and conditions. Accordingly, Standard Chartered PLC may at any time elect to cancel any interest payment (or part thereof) which would otherwise be payable on any interest payment date.
- The securities convert into ordinary shares of Standard Chartered PLC, at a pre-determined price detailed in the table above, should the fully loaded Common Equity Tier 1 ratio of the Group fall below 7.0 per cent. Approximately 947 million ordinary shares would be required to satisfy the conversion of all the securities mentioned above

The securities rank behind the claims against Standard Chartered PLC of (a) unsubordinated creditors, (b) which are expressed to be subordinated to the claims of unsubordinated creditors of Standard Chartered PLC but not further or otherwise; or (c) which are, or are expressed to be, junior to the claims of other creditors of Standard Chartered PLC, whether subordinated or unsubordinated, other than claims which rank, or are expressed to rank, *pari passu* with, or junior to, the claims of holders of the AT1 securities in a winding-up occurring prior to the conversion trigger.

### Reserves

The constituents of the reserves are summarised as follows:

- The capital reserve represents the exchange difference on redenomination of share capital and share premium from sterling to US dollars in 2001. The capital redemption reserve represents the nominal value of preference shares redeemed
- The amounts in the "Capital and Merger Reserve" represents the premium arising on shares issued using a cash box financing structure, which required the Company to create a merger reserve under section 612 of the Companies Act 2006. Shares were issued using this structure in 2005 and 2006 to assist in the funding of Korea (\$1.9 billion) and Taiwan (\$1.2 billion) acquisitions, in 2008, 2010 and 2015 for the shares issued by way of a rights issue, primarily for capital maintenance requirements and for the shares issued in 2009 by way of an accelerated book build, the proceeds of which were used in the ordinary course of business of the Group. The funding raised by the 2008, 2010 and 2015 rights issues and 2009 share issue was fully retained within the Company. Of the 2015 funding, \$1.5 billion was used to subscribe to additional equity in Standard Chartered Bank, a wholly owned subsidiary of the Company. Apart from the Korea, Taiwan and Standard Chartered Bank funding, the merger reserve is considered realised and distributable.
- Own credit adjustment reserve represents the cumulative gains and losses on financial liabilities designated at fair value through profit or loss relating to own credit. Gains and losses on financial liabilities designated at fair value through profit or loss relating to own credit in the year have been taken through other comprehensive income into this reserve. On derecognition of applicable instruments the balance of any OCA will not be recycled to the income statement, but will be transferred within equity to retained earnings
- Fair value through other comprehensive income (FVOCI) debt reserve represents the unrealised fair value gains and losses in respect of financial assets classified as FVOCI, net of expected credit losses and taxation. Gains and losses are deferred in this reserve and are reclassified to the income statement when the underlying asset is sold, matures or becomes impaired.
- FVOCI equity reserve represents unrealised fair value gains and losses in respect of financial assets classified as FVOCI, net of taxation. Gains and losses are recorded in this reserve and never recycled to the income statement
- Cash flow hedge reserve represents the effective portion of the gains and losses on derivatives that meet the criteria for these types of hedges. Gains and losses are deferred in this reserve and are reclassified to the income statement when the underlying hedged item affects profit and loss or when a forecast transaction is no longer expected to occur
- Translation reserve represents the cumulative foreign exchange gains and losses on translation of the net investment of the Group in foreign operations. Since 1 January 2004, gains and losses are deferred to this reserve and are reclassified to the income statement when the underlying foreign operation is disposed. Gains and losses arising from derivatives used as hedges of net investments are netted against the foreign exchange gains and losses on translation of the net investment of the foreign operations
- Retained earnings represents profits and other comprehensive income earned by the Group and Company in the current and prior periods, together with the after tax increase relating to equity-settled share options, less dividend distributions, own shares held (treasury shares) and share buy-backs

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

As at 31 December 2022, the distributable reserves of Standard Chartered PLC (the Company) were \$13 billion (31 December 2021: \$15.0 billion). These comprised retained earnings and \$12.6 billion of the merger reserve account. Distribution of reserves is subject to maintaining minimum capital requirements.

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

### Own shares

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

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

	1995 Trust		2004 Trust		Total	
	2022	2021	2022	2021 <sup>1</sup>	2022	2021
Shares purchased during the period	–	–	30,203,531	36,487,747	30,203,531	36,487,747
Market price of shares purchased (\$million)	–	–	218	237	218	237
Shares transferred between trusts	–	–	–	–	–	–
Shares held at the end of the period	–	–	27,525,624	22,461,243	27,525,624	22,461,243
Maximum number of shares held during the period					27,976,046	23,076,993

1 Note that 35,768 shares were purchased by the trustee of the 2004 Trust using \$0.2 million participant savings as part of Sharesave exercises

### Dividend waivers

The trustees of the 2004 Trust, which holds ordinary shares in Standard Chartered PLC in connection with the operation of its employee share plans, have lodged standing instructions in relation to shares held by them that have not been allocated to employees, whereby any dividend is waived on the balance of ordinary shares and recalculated and paid at the rate of 0.01p per share.

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

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

Name and registered address	Place of incorporation	Description of shares	Issued/(redeemed) capital	Issued/(redeemed) Shares	Proportion of shares held (%)
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom					
Finventures UK Limited	United Kingdom	\$1.00 Ordinary shares	£25,000,000	25,000,000	100
Standard Chartered I H Limited	United Kingdom	\$1.00 Ordinary shares	\$70,000,036	70,000,036	100
Standard Chartered Holdings Limited	United Kingdom	\$2.00 Ordinary shares	\$45,000,036	22,500,018	100
Standard Chartered Strategic Investments Limited <sup>1</sup>	United Kingdom	\$1.00 Ordinary shares	\$2,697,462	2,697,462	100
Standard Chartered UK Holdings Limited <sup>2</sup>	United Kingdom	\$1.00 Ordinary shares	\$114,079,067	114,079,067	100
Zodia Markets (UK) Limited	United Kingdom	\$1.00 Ordinary shares	\$999,000	999,000	100
Zodia Markets Holdings Limited	United Kingdom	\$1.00 Ordinary shares	\$7,501	7,501	75.01
The following companies have the address of Thomas House, 84 Eccleston Square, London, SW1V 1PX, United Kingdom					
Zodia Custody Limited	United Kingdom	\$1.00 Ordinary shares	\$14,240,000	14,240,000	95.1
Zodia Holdings Limited	United Kingdom	\$1.00 Ordinary-A shares	\$24,990,000	24,990,000	100
The following companies have the address of Spaces, 25 Wilton Road, Victoria, London, SW1V 1LW, United Kingdom					
Resolution Alliance Korea Ltd	Republic of Korea	KRW5,000 Ordinary shares	KRW (100,000,000)	(100,000,000)	100

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

Name and registered address	Place of incorporation	Description of shares	Issued/(redeemed) capital	Issued/(redeemed) Shares	Proportion of shares held (%)
The following companies have the address of Suites 507,508,509,15th floor, Al Sarab Tower, Adgm Square, Al Maryah Island, Abu Dhabi, United Arab Emirates	United Arab Emirates				
Financial Inclusion Technologies Ltd	Hong Kong	\$1.00 Ordinary shares	\$8,800,000	8,800,000	100
The following company has the address of 39/F, Oxford House, Taikoo Place, 979 king's road, Quarry Bay, Hong Kong					
Mox Bank Limited	Hong Kong	HKD Ordinary shares	HKD639,794,864	63,979,486	65.98
The following company has the address of Second Floor, Indiqube Edge, Khata No. 571/630/6/4, Sy.No.6/4, Ambalipura Village, Varthur Hobli, Marathahalli Sub-Division, Ward No. 150, Bengaluru, 560102, India.					
Standard Chartered Research and Technology India Private Limited	India	INR10.00 A Equity shares	INR64,673,130	6,467,313	99.601
The following company has the address of StandardChartered@Chiromo, Number 48, Westlands Road, P. O. Box 30003 – 00100, Nairobi, Kenya					
Solvezy Technology Kenya Limited	Kenya	KES1000.00 Ordinary shares	KES295,804,000	295,804	100
Tawi Fresh Kenya Limited	Kenya	KES1,000.00 Ordinary shares	KES118,145,000	118,145	100
The following company has the address of 23 De Walden Street, London, W1G 8RW, United Kingdom					
Shoal Limited	United Kingdom	\$1.00 Ordinary shares	\$2	2	100
The following companies have the address of 27, Fitzwilliam Street, Dublin, D02 TP23, Ireland					
Zodia Custody (Ireland) Limited	Ireland	\$1.00 Ordinary shares	\$10,000,000	10,000,000	100
The following companies have the address of 8 Marina Boulevard, #27-01 Marina Bay Financial Centre Tower 1, 018981, Singapore					
Standard Chartered Private Equity (Singapore) Pte Ltd	Singapore	\$ Ordinary shares	\$25,000,000	25,000,000	100
The following company has the address of 77 Robinson Road, #25-00 Robinson 77, 068896, Singapore					
Trust Bank Singapore Limited	Singapore	SGD Ordinary shares	SGD96,000,000	96,000,000	60
Standard Chartered Bank Cote d'Ivoire, 23 Boulevard de la République, Abidjan 17, 17 B.P. 1141, Cote d'Ivoire					
Standard Chartered Bank Cote d'Ivoire SA	Cote d'Ivoire	XOF100,000 Ordinary Shares	XOF2,508,000,000	25,080	100
26F, Fortune Financial Centre, #5, Dong San Huan Zhong Lu, Chaoyang District, Beijing, 100020, China					
Standard Chartered Corporate Advisory Co., Ltd.	China	\$1.00 Ordinary shares	\$(1,680,000)	(1,680,000)	100
The following companies have the address of 80 Robinson Road, #02-00, 068898, Singapore					
Autumn Life Pte. Ltd.	Singapore	\$ Ordinary-A shares	\$9,400,000	9,400,000	96.4
Cardspal Pte. Ltd.	Singapore	\$ Ordinary-A shares	\$2,500,000	2,500,000	100
Pegasus Dealmaking Pte. Ltd.	Singapore	\$ Ordinary shares	\$71,999	71,999	100
Power2SME Pte. Ltd.	Singapore	\$ Ordinary shares	\$11,800,000	11,800,000	90.6
SCV Research and Development Pte. Ltd.	Singapore	\$ Ordinary shares	\$6,000,000	6,000,000	100
SCV Master Holding Company Pte Ltd	Singapore	\$ Ordinary shares	\$11,800,000	11,800,000	100
Solv-India Pte Ltd	Singapore	\$ Ordinary shares	\$23,000,000	23,000,000	100

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

Name and registered address	Place of incorporation	Description of shares	Issued/(redeemed) capital	Issued/(redeemed) Shares	Proportion of shares held (%)
8A, Hony Tower, 1st Financial Street, Nanshan District, Shenzhen, China					
SC Ventures Investment Management (Shenzhen) Limited	China	\$1.00 Ordinary shares	\$2,000,000	2,000,000	100
EX-26, Ground Floor, Bldg 16-Co Work, Dubai Internet City, Dubai, United Arab Emirates					
Appro Onboarding Solutions FZ-LLC	United Arab Emirates	AED1,000.00 Ordinary shares	AED6,803,000	6,803	100
The following company has the address of 32, Molesworth Street, Dublin 2, D02Y512, Ireland					
Zodia Markets (Ireland) Limited	United Kingdom	\$1.00 Ordinary Shares	\$999,000	999,000	100

1 Redenomination of £1.00 Ordinary shares to \$1.00 Ordinary shares

2 Redenomination of £10.00 Ordinary shares to \$1.00 Ordinary shares

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

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

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

## 29. Non-controlling interests

### Accounting policy

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

	\$million
At 1 January 2021	325
Comprehensive income for the year	(17)
Income in equity attributable to non-controlling interests	(15)
Other profits attributable to non-controlling interests	(2)
Distributions	(31)
Other increases <sup>1</sup>	94
<b>At 31 December 2021</b>	<b>371</b>
Comprehensive income for the year	(88)
Income in equity attributable to non-controlling interests	(42)
Other profits attributable to non-controlling interests	(46)
Distributions	(31)
Other increases <sup>2</sup>	98
<b>At 31 December 2022</b>	<b>350</b>

1 Movement related to non-controlling interests from Mox Bank Limited

2 Movements related to non-controlling interests from Mox Bank Limited (\$39 million), Trust Bank Singapore Limited (\$47 million), Zodia Markets Holdings Limited (\$3 million), Power2SME Pte Limited (\$9 million)

### 30. Retirement benefit obligations

#### Accounting policy

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

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

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

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

#### Other accounting estimates and judgements

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

Retirement benefit obligations comprise:

	2022 \$million	2021 \$million
Defined benefit plans obligation	128	192
Defined contribution plans obligation	18	18
<b>Net obligation</b>	<b>146</b>	<b>210</b>

Retirement benefit charge comprises:

	2022 \$million	2021 \$million
Defined benefit plans	58	62
Defined contribution plans <sup>1</sup>	332	315
<b>Charge against profit (Note 7)</b>	<b>390</b>	<b>377</b>

<sup>1</sup> The Group has during the year utilised against defined contribution payments, \$4 million forfeited pension contributions in respect of employees who left before their interests vested fully. The residual balance of forfeited contributions is \$17 million

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

The material holdings of government and corporate bonds shown partially hedge movements in the liabilities resulting from interest rate and inflation changes. Setting aside movements from other drivers such as currency fluctuation, the increases in discount rates in most geographies over 2022 have led to lower liabilities. These have been partly offset by decreases in the value of bonds held as well as poor performance of growth assets such as equities and property, leading to a fall in the pension deficit reported. These movements are shown as actuarial gains and losses in the tables below. Contributions into a number of plans in excess of the amounts required to fund benefits accruing have also helped to reduce the net deficit over the year.

The disclosures required under IAS 19 have been calculated by independent qualified actuaries based on the most recent full actuarial valuations updated, where necessary, to 31 December 2022.

### 30. Retirement benefit obligations continued

#### UK Fund

The Standard Chartered Pension Fund (the 'UK Fund') is the Group's largest pension plan, representing 53 per cent (31 December 2021: 58 per cent) of total pension liabilities. The UK Fund is set up under a trust that is legally separate from the Bank (its formal sponsor) and, as required by UK legislation, at least one third of the trustee directors are nominated by members; the remainder are appointed by the Bank. The trustee directors have a fiduciary duty to members and are responsible for governing the UK Fund in accordance with its Trust Deed and Rules.

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

The financial position of the UK Fund is regularly assessed by an independent qualified actuary. The funding valuation as at 31 December 2020 was completed in December 2021 by the Scheme Actuary, T Kripps of Willis Towers Watson, using assumptions different from those, and agreed with the UK Fund trustee. It showed that the UK Fund was 92% funded at that date, revealing a past service deficit of \$153 million (£127 million).

To repair the deficit, three annual cash payments each of \$40 million (£32.9 million) were agreed, with the first of these paid in December 2021, and two further instalments to be paid in December 2022 and December 2023. However, the agreement allowed that, if the funding position improves to being at or near a surplus in future years, the payments due in 2022 and 2023 will be reduced or eliminated. As a result of the Fund being in surplus at the agreed measurement point of mid-year, no payment was made in December 2022. As part of the 2020 valuation, in order to provide security for future contributions an additional \$60 million nominal gilts (£50 million) were purchased and transferred into the existing escrow account of \$132 million gilts (£110 million), topping it up to \$192 million.

The Group has not recognised any additional liability under IFRIC 14, as the Bank has control of any pension surplus under the Trust Deed and Rules.

#### Overseas plans

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

#### Key assumptions

The principal financial assumptions used at 31 December 2022 were:

	Funded plans			
	UK Fund		Overseas Plans <sup>1</sup>	
	2022 %	2021 %	2022 %	2021 %
Discount rate	4.8	2.0	1.2 – 5.4	0.4 – 3.1
Price Inflation	2.6	2.6	1.0 – 3.1	1.0 – 3.1
Salary increases	N/A	N/A	3.5 – 4.5	3.5 – 4.5
Pension increases	2.4	2.5	3.1	1.9 – 3.1 <sup>2</sup>

1 The range of assumptions shown is for the funded defined benefit overseas plans in Hong Kong, Jersey, Korea, Taiwan, and the US. These comprise around 75 per cent of the total liabilities of overseas funded plans

2 The range of assumptions shown for 2021 also includes Germany

	Unfunded plans			
	US post-retirement medical		Other <sup>1</sup>	
	2022 %	2021 %	2022 %	2021 %
Discount rate	5.1	3.1	3.7 – 7.6	2.2 – 6.7
Price inflation	2.5	2.5	2.0 – 4.0	2.0 – 4.0
Salary increases	N/A	N/A	4.0 – 7.8	3.7 – 7.0
Pension increases	N/A	N/A	0.0 – 2.4	0.0 – 2.6
Post-retirement medical rate	7% in 2022 reducing by 0.5% per annum to 5% in 2026	7% in 2021 reducing by 0.5% per annum to 5% in 2025	N/A	N/A

1 The range of assumptions shown is for the main unfunded defined benefit plans in Bahrain, India, Korea, Thailand, UAE and the UK. They comprise around 90 per cent of the total liabilities of other unfunded plans

The principal non-financial assumptions are those made for UK life expectancy. The UK mortality tables are S3PMA for males and S3PFA for females, projected by year of birth with the CMI 2019 improvement model with a 1.25% annual trend and initial addition parameter of 0.25%. Scaling factors of 92% for male pensioners, 92% for female pensioners, 92% for male dependants and 82% for female dependants have been applied.

The resulting assumptions for life expectancy for the UK Fund are that a male member currently aged 60 will live for 27 years (2021: 27 years) and a female member for 30 years (2021: 30 years) and a male member currently aged 40 will live for 29 years (2021: 29 years) and a female member for 32 years (2021: 31 years) after their 60th birthdays.

### 30. Retirement benefit obligations continued

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

- If the discount rate increased by 25 basis points the liability would reduce by approximately \$30 million for the UK Fund (2021: \$65 million) and \$15 million for the other plans (2021: \$35 million)
- If the rate of inflation increased by 25 basis points the liability, allowing for the consequent impact on pension and salary increases, would increase by approximately \$20 million for the UK Fund (2021: \$45 million) and \$15 million for the other plans (2021: \$20 million)
- If the rate salaries increase compared to inflation increased by 25 basis points the liability would increase by nil for the UK Fund (2021: nil) and approximately \$10 million for the other plans (2021: \$15 million)
- If longevity expectations increased by one year the liability would increase by approximately \$35 million for the UK Fund (2021: \$80 million) and \$10 million for the other plans (2021: \$15 million)

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

#### Profile of plan obligations

	Funded plans		Unfunded plans	
	UK Fund	Overseas	Post-retirement medical	Other
Duration of the defined benefit obligation (in years)	11	9	8	9
(Duration of the defined benefit obligation – 2021)	15	11	9	11
Benefits expected to be paid from plans				
Benefits expected to be paid during 2023	75	61	1	16
Benefits expected to be paid during 2024	77	94	1	14
Benefits expected to be paid during 2025	79	71	1	14
Benefits expected to be paid during 2026	81	74	1	15
Benefits expected to be paid during 2027	83	87	1	14
Benefits expected to be paid during 2028 to 2032	449	481	4	70

#### Fund values:

	2022						2021	
	UK Fund			Overseas plans			UK Fund	Overseas plans
	Quoted assets \$million	Unquoted assets \$million	Total assets \$million	Quoted assets \$million	Unquoted assets \$million	Total assets \$million	Total assets \$million	Total assets \$million
<b>At 31 December</b>								
Equities	2	–	2	223	–	223	145	306
Government bonds	206	–	206	160	–	160	695	224
Corporate bonds	309	82	391	116	–	116	610	164
Absolute Return Fund	–	–	–	–	–	–	91	–
Hedge funds	–	14	14	–	–	–	19	–
Infrastructure	–	177	177	–	–	–	87	–
Property	–	126	126	–	–	–	127	11
Derivatives	2	–	2	–	–	–	10	–
Cash and equivalents	257	–	257	35	221	256	108	260
Others	7	4	11	–	63	63	18	67
<b>Total fair value of assets<sup>1</sup></b>	<b>783</b>	<b>403</b>	<b>1,186</b>	<b>534</b>	<b>284</b>	<b>818</b>	<b>1,910</b>	<b>1,032</b>

<sup>1</sup> Self-investment is monitored closely and is less than \$1 million of Standard Chartered equities and bonds for 2022 (2021: <\$1 million). Self-investment is only allowed where it is not practical to exclude it – for example through investment in index-tracking funds where the Group is a constituent of the relevant index

	2022				2021			
	Funded plans		Unfunded plans		Funded plans		Unfunded plans	
	UK Fund \$million	Overseas plans \$million	Post-retirement medical \$million	Other \$million	UK Fund \$million	Overseas plans \$million	Post-retirement medical \$million	Other \$million
<b>At 31 December</b>								
Total fair value of assets	1,186	818	N/A	N/A	1,910	1,032	N/A	N/A
Present value of liabilities	(1,138)	(817)	(10)	(167)	(1,822)	(1,076)	(13)	(223)
Net pension plan asset/(obligation)	48	1	(10)	(167)	88	(44)	(13)	(223)



### 30. Retirement benefit obligations continued

The pension cost for defined benefit plans was:

	Funded plans		Unfunded plans		
	UK Fund \$million	Overseas plans \$million	Post-retirement medical \$million	Other \$million	Total \$million
<b>2022</b>					
Current service cost <sup>1</sup>	–	47	–	6	53
Past service cost and curtailments <sup>2</sup>	–	2	–	–	2
Settlement cost <sup>2</sup>	–	–	–	–	–
Interest income on pension plan assets	(34)	(32)	–	–	(66)
Interest on pension plan liabilities	33	31	–	5	69
<b>Total charge to profit before deduction of tax</b>	<b>(1)</b>	<b>48</b>	<b>–</b>	<b>11</b>	<b>58</b>
Net losses on plan assets <sup>3</sup>	486	113	–	–	599
Gains on liabilities	(453)	(143)	(2)	(42)	(640)
Total losses/(gains) recognised directly in statement of comprehensive income before tax	33	(30)	(2)	(42)	(41)
Deferred taxation	7	13	–	–	20
<b>Total losses/(gains) after tax</b>	<b>40</b>	<b>(17)</b>	<b>(2)</b>	<b>(42)</b>	<b>(21)</b>

1 Includes administrative expenses paid out of plan assets of \$1 million (2021: \$1 million)

2 Includes various small costs and gains from plan amendments and settlements in India, Kenya, Mauritius, South Korea and Sri Lanka

3 The actual return on the UK Fund assets was a loss of \$452 million and on overseas plan assets was a loss of \$82 million

	Funded plans		Unfunded plans		
	UK Fund \$million	Overseas plans \$million	Post-retirement medical \$million	Other \$million	Total \$million
<b>2021</b>					
Current service cost <sup>1</sup>	–	55	–	9	64
Past service cost and curtailments <sup>2</sup>	–	(1)	–	(4)	(5)
Settlement cost <sup>2</sup>	–	(3)	–	(1)	(4)
Interest income on pension plan assets	(26)	(27)	–	–	(53)
Interest on pension plan liabilities	27	29	–	4	60
<b>Total charge to profit before deduction of tax</b>	<b>1</b>	<b>53</b>	<b>–</b>	<b>8</b>	<b>62</b>
Net gains on plan assets <sup>3</sup>	(6)	(65)	–	–	(71)
Gains on liabilities	(87)	(10)	(2)	(9)	(108)
Total gains recognised directly in statement of comprehensive income before tax	(93)	(75)	(2)	(9)	(179)
Deferred taxation	–	17	–	–	17
<b>Total gains after tax</b>	<b>(93)</b>	<b>(58)</b>	<b>(2)</b>	<b>(9)</b>	<b>(162)</b>

1 Includes administrative expenses paid out of plan assets of \$1 million (2020: \$2 million)

2 Includes various small costs and gains from plan amendments and settlements in India, Kenya, South Korea and Sri Lanka

3 The actual return on the UK Fund assets was a gain of \$32 million and on overseas plan assets was a gain of \$92 million

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

	Funded plans		Unfunded plans		
	UK Fund \$million	Overseas plans \$million	Post-retirement medical \$million	Other \$million	Total \$million
Surplus/(deficit) at January 2022	88	(44)	(13)	(223)	(192)
Contributions	–	67	1	12	80
Current service cost <sup>1</sup>	–	(47)	–	(6)	(53)
Past service cost and curtailments	–	(2)	–	–	(2)
Settlement costs and transfers impact	–	–	–	–	–
Net interest on the net defined benefit asset/liability	1	1	–	(5)	(3)
Actuarial(losses)/gains	(33)	30	2	42	41
Assets held for sale <sup>3</sup>	–	(4)	–	2	(2)
Exchange rate adjustment	(8)	–	–	11	3
<b>Surplus/(deficit) at 31 December 2022<sup>2</sup></b>	<b>48</b>	<b>1</b>	<b>(10)</b>	<b>(167)</b>	<b>(128)</b>

1 Includes administrative expenses paid out of plan assets of \$1 million (2021: \$1 million)

2 The deficit total of \$128 million is made up of plans in deficit of \$248 million (2021: \$355 million) net of plans in surplus with assets totalling \$120 million (2021: \$163 million)

3 Assets held for sale includes funded and unfunded plans in Cameroon, Cote D'Ivoire, Jordan and Zimbabwe

## 30. Retirement benefit obligations continued

	Funded plans		Unfunded plans		
	UK Fund \$million	Overseas plans \$million	Post-retirement medical \$million	Other \$million	Total \$million
(Deficit)/surplus at January 2021	(48)	(124)	(16)	(246)	(434)
Contributions	45	58	1	18	122
Current service cost <sup>1</sup>	–	(55)	–	(9)	(64)
Past service cost and curtailments	–	1	–	4	5
Settlement costs and transfers impact	–	3	–	1	4
Net interest on the net defined benefit asset/liability	(1)	(2)	–	(4)	(7)
Actuarial gains	93	75	2	9	179
Adjustment for Indonesia scheme	–	–	–	–	–
Exchange rate adjustment	(1)	–	–	4	3
<b>Surplus/(deficit) at 31 December 2021<sup>2</sup></b>	<b>88</b>	<b>(44)</b>	<b>(13)</b>	<b>(223)</b>	<b>(192)</b>

1 Includes administrative expenses paid out of plan assets of \$1 million (2020: \$2 million)

2 The deficit total of \$192 million is made up of plans in deficit of \$355 million (2020: \$476 million) net of plans in surplus with assets totalling \$163 million (2020: \$42 million)

The Group's expected contribution to its defined benefit pension plans in 2023 is \$61 million.

	2022			2021		
	Assets \$million	Obligations \$million	Total \$million	Assets \$million	Obligations \$million	Total \$million
At 1 January 2022	2,942	(3,134)	(192)	2,957	(3,391)	(434)
Contributions <sup>1</sup>	81	(1)	80	123	(1)	122
Current service cost <sup>2</sup>	–	(53)	(53)	–	(64)	(64)
Past service cost and curtailments	–	(2)	(2)	–	5	5
Settlement costs & impact of transfers <sup>3</sup>	(5)	5	–	10	(6)	4
Interest cost on pension plan liabilities	–	(69)	(69)	–	(60)	(60)
Interest income on pension plan assets	66	–	66	53	–	53
Benefits paid out <sup>2</sup>	(176)	176	–	(220)	220	–
Actuarial (losses)/gains <sup>4</sup>	(599)	640	41	71	108	179
Assets held for sale	(18)	16	(2)	–	–	–
Exchange rate adjustment	(287)	290	3	(52)	55	3
<b>At 31 December 2022</b>	<b>2,004</b>	<b>(2,132)</b>	<b>(128)</b>	<b>2,942</b>	<b>(3,134)</b>	<b>(192)</b>

1 Includes employee contributions of \$1 million (2021: \$1 million)

2 Includes administrative expenses paid out of plan assets of \$1 million (2021: \$1 million)

3 Impact of settlements relates to the buyout of a pension plan in Switzerland which was agreed in December.

4 Actuarial gain on obligation comprises of \$708 million gain (2021: \$108 million gain) from financial assumption changes, \$9 million gain (2021: \$3 million gain) from demographic assumption changes and \$77 million loss (2021: \$3 million loss) from experience

## 31. Share-based payments

### Accounting policy

The Group operates equity-settled and cash-settled share-based compensation plans. The fair value of the employee services (measured by the fair value of the awards granted) received in exchange for the grant of the shares and awards is recognised as an expense. For deferred share awards granted as part of an annual performance award, the expense is recognised over the period from the start of the performance period to the vesting date. For example, the expense for three-year awards granted in 2023 in respect of 2022 performance, which vest in 2024-2026, is recognised as an expense over the period from 1 January 2022 to the vesting dates in 2024-2026. For all other awards, the expense is recognised over the period from the date of grant to the vesting date.

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

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

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

### Other accounting estimates and judgements

Share-based payments involve judgement and estimation uncertainty in determining the expenses and carrying values of share awards at the balance sheet date.

- LTIP awards are determined using an estimation of the probability of meeting certain metrics over a three-year performance period using the Monte Carlo simulation model.
- Deferred shares and restricted shares are determined using an estimation of expected dividends.
- The 2013 Sharesave Plan valuation is determined using a binomial option-pricing model.

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

	2022 <sup>1</sup>			2021 <sup>1</sup>		
	Cash \$million	Equity \$million	Total \$million	Cash \$million	Equity \$million	Total \$million
Deferred share awards	16	92	108	9	81	90
Other share awards	20	71	91	10	67	77
<b>Total share-based payments</b>	<b>36</b>	<b>163</b>	<b>199</b>	<b>19</b>	<b>148</b>	<b>167</b>

1 No forfeiture assumed

### 2021 Standard Chartered Share Plan (the '2021 Plan') and 2011 Standard Chartered Share Plan (the '2011 Plan')

The 2021 Plan was approved by shareholders in May 2021 and is the Group's main share plan, replacing the 2011 Plan for new awards, June 2021. It may be used to deliver various types of share awards to employees and former employees of the Group, including directors and former executive directors:

- Long Term Incentive Plan (LTIP) awards: granted with vesting subject to performance measures. Performance measures attached to awards granted previously include: relative total shareholder return (TSR); return on tangible equity (RoTE) (with a Common Equity Tier 1 (CET1) underpin); and strategic measures. Each measure is assessed independently over a three-year period. LTIP awards have an individual conduct gateway requirement that results in the award lapsing if not met
- Deferred awards are used to deliver the deferred portion of variable remuneration, in line with both market practice and regulatory requirements. These awards vest in instalments on anniversaries of the award date specified at the time of grant. Deferred awards are not subject to any plan limit. This enables the Group to meet regulatory requirements relating to deferral levels, and is in line with market practice

### 31. Share-based payments continued

- Restricted share awards, made outside of the annual performance process as replacement buy-out awards to new joiners who forfeit awards on leaving their previous employers, vest in instalments on the anniversaries of the award date specified at the time of grant. This enables the Group to meet regulatory requirements relating to buy-outs, and is in line with market practice. In line with similar plans operated by our competitors, restricted share awards are not subject to an annual limit and do not have any performance measures

Under the 2021 Plan and 2011 Plan, no grant price is payable to receive an award. The remaining life of the 2021 Plan during which new awards can be made is nine years. The 2011 Plan has expired and no further awards will be granted under this plan.

#### Valuation – LTIP awards

The vesting of awards granted in both 2022 and 2021 is subject to relative TSR performance measures, achievement of a strategic scorecard and satisfaction of RoTE (subject to a capital CET1 underpin). The vesting of awards also have additional conditions under strategic measures related to targets set for sustainability linked to business strategy. The fair value of the TSR component is calculated using the probability of meeting the measures over a three-year performance period, using a Monte Carlo simulation model. The number of shares expected to vest is evaluated at each reporting date, based on the expected performance against the RoTE and strategic measures in the scorecard, to determine the accounting charge.

No dividend equivalents accrue for the LTIP awards made in 2022 or 2021 and the fair value takes this into account, calculated by reference to market consensus dividend yield.

	2022	2021
Grant date	14-March	15-March
Share price at grant date (£)	4.88	4.9
Vesting period (years)	3-Jul	3-Jul
Expected dividend yield (%)	3.4	3.4
Fair value (RoTE) (£)	1.24, 1.20	1.25, 1.20
Fair value (TSR) (£)	0.70, 0.68	0.72, 0.71
Fair value (Strategic) (£)	1.65, 1.60	1.66, 1.60

#### Valuation – deferred shares and restricted shares

The fair value for deferred awards which are not granted to material risk takers is based on 100 per cent of the face value of the shares at the date of grant as the share price will reflect expectations of all future dividends. For awards granted to material risk takers in 2022, the fair value of awards takes into account the lack of dividend equivalents, calculated by reference to market consensus dividend yield.

#### Deferred share awards

	2022					
Grant date	09 November		20 June		14 March	
Share price at grant date (£)	5.62		6.04		4.88	
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1-3 years	N/A	5.62	N/A	6.04	N/A	4.88
1-5 years	3.4	5.17	3.4, 3.4	5.56, 5.56	N/A, 3.4, 3.4, 3.4	4.88, 4.48, 4.41, 4.34
3-7 years	–	–	–	–	3.4, 3.4, 3.4	4.48, 4.13, 3.99

	2021			
Grant date	21 June		15 March	
Share price at grant date (£)	4.69		4.90	
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1-3 years	N/A, 3.4	4.69, 4.24	N/A, 3.4, 3.4	4.90, 4.58, 4.43
1-5 years	3.4	4.17	3.4, 3.4, 3.4	4.43, 4.36, 4.29
3-7 years	–	–	3.4, 3.4	4.15, 4.01

## 31. Share-based payments continued

### Other restricted share awards

Grant date	2022							
	28-Nov		09-Nov		20-Jun		14-Mar	
Share price at grant date (£)	5.90		5.62		6.04		4.88	
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
4 months			3.4	5.56				
1 year	3.4	5.71	3.4	5.44	3.4	5.84	3.4	4.72
1.4 years			3.4	5.38	3.4		3.4	
2 years	3.4	5.52	3.4	5.26	3.4	5.65	3.4	4.56
2.4 years			3.4	5.2	3.4		3.4	
3 years	3.4	5.34	3.4	5.08	3.4	5.46	3.4	4.41
4 years	3.4	5.16	3.4	4.92	3.4	5.28	3.4	4.27
5 years	3.4	4.99			3.4	5.11	3.4	4.13
6 years							3.4	3.99

Grant date	2021			
	30 September		21 June	
Share price at grant date (£)	4.37		4.69	
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1 year	3.4	4.23	3.4	4.53
2 years	3.4	4.09	3.4	4.38
3 years	3.4	3.95	3.4	4.24
4 years	3.4	3.82	3.4	4.10
5 years	3.4	3.70	–	–

### All Employee Sharesave Plans

#### 2013 Sharesave Plan

Under the 2013 Sharesave Plan, employees may open a savings contract. Employees can save up to £250 per month over three years to purchase ordinary shares in the Company at a discount of up to 20 per cent on the share price at the date of invitation (the 'option exercise price'), after which they have a period of six months to exercise the option. 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 alternative to its employees.

The 2013 Sharesave Plan was approved by shareholders in May 2013, and expires in May 2023. A new Sharesave plan will be taken to shareholders for approval at the Annual General Meeting in May 2023.

#### Valuation – Sharesave:

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

#### All Employee Sharesave Plan (Sharesave)

	2022	2021
Grant date	28 November	30 September
Share price at grant date (£)	5.80	4.37
Exercise price (£)	4.23	3.67
Vesting period (years)	3	3
Expected volatility (%)	39.3	35.1
Expected option life (years)	3.33	3.33
Risk-free rate (%)	3.21	0.42
Expected dividend yield (%)	3.4	3.4
Fair value (£)	2.08	1.11

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

## 31. Share-based payments continued

### Limits

An award shall not be granted under the 2021 Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares allocated in the period of 10 calendar years ending with that calendar year under the 2021 Plan and under any other discretionary share plan operated by Standard Chartered PLC to exceed such number as represents 5 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

An award shall not be granted under the 2021 Plan or 2013 Sharesave Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares allocated in the period of 10 calendar years ending with that calendar year under the 2021 Plan or 2013 Sharesave Plan and under any other employee share plan operated by Standard Chartered PLC to exceed such number as represents 10 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

An award shall not be granted under the 2021 Plan or 2013 Sharesave Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares which may be issued or transferred pursuant to awards then outstanding under the 2021 Plan or 2013 Sharesave Plan as relevant to exceed such number as represents 10 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

The number of Standard Chartered PLC ordinary shares which may be issued pursuant to awards granted under the 2021 Plan in any 12-month period must not exceed such number as represents 1 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time. The number of Standard Chartered PLC ordinary shares which may be issued pursuant to awards granted under the 2013 Sharesave Plan in any 12-month period must not exceed such number as represents 1 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

Standard Chartered PLC has been granted a waiver from strict compliance with Rules 17.03(3), 17.03(9) and 17.03(18) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong. Details are set out in the market announcement made on 5 May 2021.

### Reconciliation of share award movements for the year to 31 December 2022

	2011 Plan <sup>1</sup>			Weighted average Sharesave exercise price (£)
	LTIP	Deferred / Restricted shares	Sharesave	
Outstanding at 1 January 2022	11,627,751	39,718,654	16,897,075	3.95
Granted <sup>2,3</sup>	3,066,288	25,037,706	5,777,197	–
Lapsed	(2,927,828)	(1,121,849)	(2,700,678)	4.29
Exercised	(426,260)	(17,185,471)	(2,864,075)	5.03
Outstanding at 31 December 2022	11,339,951	46,449,040	17,109,519	3.81
Total number of securities available for issue under the plan	11,339,951	46,449,040	17,109,519	
Percentage of the issued shares this represents as at 31 December 2022	0.39	1.60	0.59	3.81
Exercisable as at 31 December 2022	–	1,191,693	1,699,772	4.96
Range of exercise prices (£) <sup>3</sup>	–	–	3.14 – 5.13	–
Intrinsic value of vested but not exercised options (\$ million)	0.02	8.93	2.59	
Weighted average contractual remaining life (years)	7.88	8.25	2.27	
Weighted average share price for awards exercised during the period (£)	5.09	4.93	5.94	

1 Granted under the 2021 Plan and 2011 Plan. Employees do not contribute to the cost of these awards.

2 3,048,826 (LTIP) granted on 14 March 2022, 14,989 (LTIP) granted as a notional dividend on 1 March 2022, 2,473 (LTIP) granted as a notional dividend on 8 August 2022, 23,434,127 (Deferred/Restricted shares) granted on 14 March 2022, 77,479 (Deferred/Restricted shares) granted as a notional dividend on 1 March 2022, 584,322 (DRSA/RSA) granted on 20 June 2022, 43,918 (Deferred/Restricted shares) granted as a notional dividend on 8 August 2022, 771,103 (Deferred/Restricted shares) granted on 9 November 2022, 126,757 (Deferred/Restricted shares) granted on 28 November 2022 under the 2021 Plan, 5,777,197 (Sharesave) granted on 28 November 2022 under the 2013 Sharesave Plan.

3 For Sharesave granted in 2022 the exercise price is £4.23 per share, a 20% discount from the closing price on 1 November 2022. The closing price on 1 November 2022 was £5.282.

## 31. Share-based payments continued

### Reconciliation of share award movements for the year to 31 December 2021

	2011 Plan <sup>1</sup>			Weighted average Sharesave exercise price (£)
	LTIP	Deferred/ Restricted shares	Sharesave	
Outstanding at 1 January 2021	22,918,242	39,543,548	16,591,704	4.31
Granted <sup>2,3</sup>	4,038,071	17,113,973	4,274,039	–
Lapsed	(15,005,847)	(1,018,379)	(3,964,053)	5.16
Exercised	(322,715)	(15,920,488)	(4,615)	3.53
Outstanding at 31 December 2021	11,627,751	39,718,654	16,897,075	3.95
Total number of securities available for issue under the plan	11,627,751	39,718,654	16,897,075	
Percentage of the issued shares this represents as at 31 December 2021	0.40%	1.30%	0.50%	3.95
Exercisable as at 31 December 2021	3,952	1,701,506	2,571,103	4.96
Range of exercise prices (£) <sup>3</sup>	–	–	3.14 – 6.20	–
Intrinsic value of vested but not exercised options (\$ million)	0.02	10.33	0.38	
Weighted average contractual remaining life (years)	7.85	8.12	2.18	
Weighted average share price for awards exercised during the period (£)	4.97	4.89	4.66	

1 Employees do not contribute towards the cost of these awards

2 16,704,511 (DRSA/RSA) granted on 15 March 2021, 94,954 (DRSA/RSA) granted as notional dividend on 01 March 2021, 4,023,843 (LTIP) granted on 15 March 2021, 10,954 (LTIP) granted as notional dividend on 01 March 2021, 197,111 (DRSA/RSA) granted on 21 June 2021, 34,606 (DRSA/RSA) granted as notional dividend on 13 August 2021, 3,274 (LTIP) granted as notional dividend on 13 August 2021, 82,791 (RSA) granted on 30 September 2021, 4,274,039 (Sharesave) granted on 30 September 2021. LTIP and DRSA/RSA awards granted in March 2021 were granted under the 2011 Plan, and DRSA/RSA awards granted in June and September 2021 were granted under the 2021 Plan. Notional dividends were granted under the 2011 Plan. Sharesave options granted in 2021 were granted under the 2013 Sharesave Plan

3 For Sharesave granted in 2021 the exercise price is £3.67 per share, which was a 20% discount to the closing share price on 27 August 2021. The closing share price on 27 August 2021 was of £4.578

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

### Accounting policy

#### Subsidiaries

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

#### Associates and joint arrangements

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

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

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

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

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



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

### Significant accounting estimates and judgements

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

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

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

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

### Business combinations

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

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

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

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

Investments in subsidiary undertakings	2022 \$million	2021 \$million
As at 1 January	60,429	57,407
Additions <sup>1</sup>	1,545	4,023
Disposal <sup>2</sup>	(999)	(1,001)
<b>As at 31 December</b>	<b>60,975</b>	<b>60,429</b>

1 Includes internal Additional Tier 1 Issuances of \$1 billion by Standard Chartered Bank, \$500 million by Standard Chartered Bank (Hong Kong) Ltd (2021: Additional Tier 1 issuances of \$2.7 billion by Standard Chartered Bank and \$1.3 billion by Standard Chartered Holdings Limited)

2 Redemption of Additional Tier 1 capital of \$1 billion by Standard Chartered Bank (2021: Additional Tier 1 capital of \$1 billion by Standard Chartered Bank)

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

At 31 December 2022, the principal subsidiary undertakings, all indirectly held except for Standard Chartered Bank (Hong Kong) Limited, and principally engaged in the business of banking and provision of other financial services, were as follows:

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

1 Under PRC law, registered as Standard Chartered Bank (China) Limited

Country and place of incorporation or registration	Main areas of operation	Group interest in ordinary share capital %
Standard Chartered Bank (Thai) Public Company Limited, Thailand	Thailand	99.87
Standard Chartered Bank (Pakistan) Limited, Pakistan	Pakistan	98.99
Standard Chartered Bank Botswana Limited, Botswana	Botswana	75.83
Standard Chartered Bank Kenya Limited, Kenya	Kenya	74.32
Standard Chartered Bank Nepal Limited, Nepal	Nepal	70.21
Standard Chartered Bank Ghana PLC, Ghana	Ghana	69.42
Mox Bank Limited, Hong Kong	Hong Kong	65.98

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

The Group does not have any material non-controlling interest except as listed above, which contribute \$(6.2) million (31 December 2021: \$17 million) of the (loss)/Profit attributable to non-controlling interest and \$261 million (31 December 2021: \$298 million) of the equity attributable to non-controlling interests

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

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

### Regulatory and liquidity requirements

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

The subsidiaries are also required to maintain balances with central banks and other regulatory authorities in the countries in which they operate. At 31 December 2022, the total cash and balances with central banks was \$58 billion (31 December 2021: \$73 billion) of which \$9 billion (31 December 2021: \$8 billion) is restricted.

### Statutory requirements

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

**32. Investments in subsidiary undertakings, joint ventures and associates** continued**Contractual requirements**

The encumbered assets in the balance sheet of the Group's subsidiaries are not available for transfer around the Group. Encumbered assets are disclosed in Risk review and Capital review (page 236 to 325).

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

	2022 \$million	2021 \$million
Loss from investment in joint ventures	(7)	(2)
Profit from investment in associates	163	198
<b>Total</b>	<b>156</b>	<b>196</b>
<b>Interests in associates and joint ventures</b>	<b>2022 \$million</b>	<b>2021 \$million</b>
As at 1 January	2,147	2,162
Exchange translation difference	(232)	43
Additions	26	90
Share of profits	156	196
Dividend received	(58)	(38)
Disposals	(1)	(16)
Impairment <sup>1</sup>	(336)	(300)
Share of FVOCI and Other reserves	(79)	10
Other movements <sup>2</sup>	8	–
<b>As at 31 December</b>	<b>1,631</b>	<b>2,147</b>

1 Other impairment mainly relates to the Group's investment in its associate China Bohai Bank (Bohai)

2 Movement related to CurrencyFair

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

Associate	Nature of activities	Main areas of operation	Group interest in ordinary share capital %
China Bohai Bank	Banking	China	16.26
CurrencyFair Limited Exchange Ireland	Banking	Ireland	43.42

On the 10th September 2021, The Group, through its subsidiary Standard Chartered UK Holdings Limited completed its investment in CurrencyFair Limited, an Irish foreign exchange payments platform.

The Group purchased CurrencyFair through the contribution of its existing investment in its joint venture, Assembly Payments Pte. Limited and a cash injection into CurrencyFair of \$35 million, which provided the Group with equity of 43.42% in CurrencyFair. This ownership, along with seats on the board of directors resulted in the Group having significant influence over CurrencyFair and as such would equity method account the investment.

The transaction will facilitate creation of a combined payments and foreign exchange products franchise, combining the customer base, staff, expertise and capabilities of both CurrencyFair and Assembly Payments.

The fair value of consideration for the investment was as follows:

Consideration	\$million
Fair value of the Group's investment in Assembly Payments <sup>1</sup>	36
Cash consideration	35
<b>Total consideration/investment in associate</b>	<b>71</b>

1 The fair value of Assembly Payments was determined to be \$60 million, of which the Group's equity ownership on transfer was 59.63%. The Group carried this investment under the equity method at a balance of \$16 million resulting in a profit on disposal of \$20 million

The Group's ownership percentage in China Bohai Bank is 16.26%.

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

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

Bohai has a statutory year end of 31 December, but publishes its year-end financial statements after the Group. As it is impracticable for Bohai to prepare financial statements earlier for use of the Group, the Group recognises its share of Bohai's earnings on a three-month lag basis. Therefore, the Group recognised its share of Bohai's profits and movements in other comprehensive income for the 12 months ended 30 September 2022 in the Group's consolidated statement of income and consolidated statement of comprehensive income for the year ended 31 December 2022, respectively.

There have been no material events after 30 September 2022 which would require adjustments in respect of the share of Bohai's profits and movements in OCI recognised by the Group for the period ended on 31 December 2022.

If the Group did not have significant influence in Bohai, the investment would be carried at fair value rather than the current carrying value.

### Impairment testing

At 31 December 2022, the listed equity value of Bohai is below the carrying amount of the Group's investment in associate. As a result, the Group assessed the carrying value of its investment in Bohai for impairment and concluded that an impairment loss of \$308 million (2021: \$300 million) was required. The revised carrying value of the Group's investment in Bohai of \$1,421 million (2021: \$1,917 million) represents the higher of the value in use and fair value less costs to sell. The financial forecasts used for the VIU calculation reflects the current economic conditions. The reduction (compared to 2021) in the recoverable amount of Bohai is primarily a result of industry challenges and uncertainties that may impact profitability, as well as lower net profits reported in Q3 2022 (than in Q3 2021), which is used as a starting point for the VIU calculation.

Bohai	2022 \$million	2021 \$million
VIU	1,421	1,917
Carrying amount <sup>1</sup>	1,729	2,217
Fair value <sup>2</sup>	685	1,114

1 The Group's 16.26% share in the net assets less other equity instruments which the Group does not hold

2 Number of shares held by the Group multiplied by the quoted share price at 31 December

### Basis of recoverable amount

The impairment test was performed by comparing the recoverable amount of Bohai, determined as the higher of VIU and fair value less costs to sell, with its carrying amount.

The value in use ('VIU') is calculated using a dividend discount model ('DDM'), which estimates the distributable future cash flows to the equity holders, after adjusting for the regulatory capital requirements, for a 5-year period, after which a terminal value ('TV') is calculated based on the 'Gordon Growth' model. The key assumptions in the VIU are as follows:

- Short to medium term projections are based on management's best estimates of future profits available to ordinary shareholders and have been determined with reference to the latest published financial results and historical performance of Bohai;
- The projections use publicly available information and include normalised performance over the forecast period, inclusive of: (i) net profit growth assumptions based on China GDP; (ii) ECL assumptions using Bohai historical ECL and the prevailing Chinese market challenges and uncertainties as a basis; and (iii) net interest margin increases from 2024 with reference to third party market interest rate forecasts in China;
- The discount rate applied to these cash flows was estimated with reference to transaction and broker data in the local Chinese market, cross checked to the capital asset pricing model (CAPM), which includes a long term risk-free rate, beta and company risk premium assumptions for Bohai;
- A long term growth rate for China is used to extrapolate the expected short to medium term earnings to perpetuity to derive a terminal value; and
- An estimation of RWAs and RWA growth to determine a capital maintenance haircut to forecast profits. This haircut is taken in order for Bohai to meet its target regulatory capital requirements over the forecast period. This haircut takes into account movements in risk weighted assets and the total capital required, including required retained earnings over time to meet the target capital ratios.

The key assumptions used in the VIU calculation:

	2022 %	2021 %
Pre tax discount rate	13.03	14.83
Forecast profit long term growth rate	4.00	4.75
Long term RWA growth rate	4.00	4.75
Minimum CET 1 ratio <sup>1</sup>	7.50	7.50

1 At 30 September 2022, Bohai's CET 1 ratio was 8.05%

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

The sensitivities disclosed below are for changes to the discount rate, normalised profits and RWA assumptions of Bohai. All these sensitivity analyses assume a CET 1 capital requirement of 7.50%, consistent with local legislation. The GDP growth assumptions affect the forecast profits and RWA estimates over the short to medium term and in the terminal period, and sensitivities are already disclosed, thus a separate sensitivity has not been included for this input.

Carrying amount Pre impairment \$million	Base Case				Sensitivities – 2022							
	VIU \$million	Headroom \$million	Pre tax discount rate	GDP	Discount rate		Forecast profit <sup>1</sup>		RWA		Combined	Combined
					+1%	-1%	+10%	-10%	+10%	-10%	RWA -10%	RWA +10%
					Impairment \$million	Impairment \$million	Impairment \$million	Impairment \$million	Impairment \$million	Impairment \$million	CF -10%	CF +10%
<b>1,729</b>	<b>1,421</b>	<b>(308)</b>	<b>13.03%</b>	<b>4.00%</b>	<b>(504)</b>	<b>(48)</b>	<b>(67)</b>	<b>(552)</b>	<b>(578)</b>	<b>(40)</b>	<b>(283)</b>	<b>(336)</b>

<sup>1</sup> Results include changes to NIM and additional ECL overlay assumptions, which are not necessarily linear

To improve the headroom to zero would require, on the basis of changing individual assumptions an increase in forecast profits by 12.76 per cent, decrease in discount rate by 1.15 per cent and a decrease in RWA by 11.50 per cent.

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

	30 Sep 2022 \$million	30 Sep 2021 \$million
Total assets	<b>236,396</b>	250,951
Total liabilities	<b>220,662</b>	234,196
Operating income <sup>1</sup>	<b>3,958</b>	4,840
Net profit <sup>1</sup>	<b>1,186</b>	1,230
Other comprehensive income <sup>1</sup>	<b>(457)</b>	44

<sup>1</sup> This represents twelve months of earnings (1 October to 30 September)

33. Structured entities

Accounting policy

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

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

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

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

**Interests in consolidated structured entities:** A structured entity is consolidated into the Group’s financial statements where the Group controls the structured entity, as per the determination in the accounting policy above. The following table presents the Group’s interests in consolidated structured entities.

	2022 \$million	2021 \$million
Aircraft and ship leasing	3,531	3,450
Principal and other structured finance	330	229
<b>Total</b>	<b>3,861</b>	<b>3,679</b>

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

### 33. Structured entities continued

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

	2022 <sup>1</sup>					2021 (Restated) <sup>2</sup>				
	Asset-backed securities \$million	Corporate Lending & Structured Finance \$million	Principal Finance funds \$million	Other activities \$million	Total \$million	Asset-backed securities \$million	Corporate Lending & Structured Finance <sup>1</sup> \$million	Principal Finance funds \$million	Other activities \$million	Total \$million
<b>Group's interest - assets</b>										
Financial assets held at fair value through profit or loss	851	–	136	–	987	1,144	–	128	35	1,307
Loans and advances/Investment securities at amortised cost	18,696	35,928	–	246	54,870	13,635	34,114	–	–	47,749
Investment securities (fair value through other comprehensive income)	2,248	–	–	–	2,248	2,221	–	–	–	2,221
Other assets	–	–	8	–	8	–	–	10	–	10
Total assets	21,795	35,928	144	246	58,113	17,000	34,114	138	35	51,287
Off-balance sheet	–	18,385	93	–	18,478	42	17,773	102	–	17,917
Group's maximum exposure to loss	21,795	54,313	237	246	76,591	17,042	51,887	240	35	69,204
Total assets of structured entities	177,194	53,657	291	1,828	232,970	241,580	48,833	1,014	37	291,465

1 As at 31 December 2022 Corporate Lending & Structured Finance includes \$14,261 million (2021: \$15,549 million) related to Loans and advances/investment securities at amortized cost within Structured Finance and \$21,667 million (2021: \$18,565 million) within Corporate Lending; Group's maximum exposure to loss within Structured Finance of \$22,971 million (2021: \$24,146 million) and \$31,342 million (2021: \$27,741 million) within Corporate Lending; and Total assets of structured entities within Structured Finance of \$35,732 million (2021: \$31,683 million) and \$17,925 million (2021: \$17,149 million) within Corporate Lending

2 The 2021 have been restated to reflect the addition of the Group's interest in certain entities reported on the Group's balance sheet but not previously disclosed as unconsolidated structured entities, associated off-balance sheet exposure, maximum exposure to loss, and the total assets of structured entities. The restatement results in increases to the following: Loans and advances/investment securities at amortized cost within Structured Finance of \$12,083 million and Corporate Lending of \$18,565 million; Group's maximum exposure to loss within Structured Finance of \$19,545 million and Corporate Lending of \$27,741 million; Off-balance sheet within Structured Finance of \$7,462 million and Corporate Lending of \$9,176 million; and Total assets of structured entities within Structured Finance of \$17,728 million and Corporate Lending of \$17,149 million

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

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

Structured finance comprises interests in transactions that the Group or, more usually, a customer has structured, using one or more structured entities, which provide beneficial arrangements for customers. The Group's exposure primarily represents the provision of funding to these structures as a financial intermediary, for which it receives a lender's return. The transactions largely relate to real estate financing and the provision of aircraft leasing and ship finance.

- **Principal finance fund:** The Group's exposure to Principal Finance Funds represents committed or invested capital in unleveraged investment funds, primarily investing in pan-Asian infrastructure, real estate and private equity.
- **Other activities:** Other activities include structured entities created to support margin financing transactions, the refinancing of existing credit and debt facilities, as well as setting up of bankruptcy remote structured entities.



### 34. Cash flow statement

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

	Group		Company	
	2022 \$million	2021 \$million	2022 \$million	2021 \$million
Amortisation of discounts and premiums of investment securities	237	9	-	-
Interest expense on subordinated liabilities	570	497	615	551
Interest expense on senior debt securities in issue	794	528	696	522
Other non-cash items	(12)	(113)	301	(30)
Pension costs for defined benefit schemes	58	62	-	-
Share-based payment costs	199	167	-	-
Impairment losses on loans and advances and other credit risk provisions	836	254	-	-
Dividend income from subsidiaries	-	-	(1,047)	(2,244)
Other impairment	439	372	-	-
Gain on disposal of property, plant and equipment	(62)	(93)	-	-
Loss/(gain) on disposal of FVOCI and AMCST financial assets	190	(179)	-	-
Depreciation and amortisation	1,186	1,181	-	-
Fair value changes through profit or loss	(365)	(48)	-	-
Foreign currency revaluation	(365)	(337)	-	-
Profit from associates and joint ventures	(156)	(196)	-	-
<b>Total</b>	<b>3,549</b>	<b>2,104</b>	<b>565</b>	<b>(1,201)</b>

#### Change in operating assets

	Group		Company	
	2022 \$million	2021 \$million	2022 \$million	2021 \$million
(Increase)/decrease in derivative financial instruments	(11,873)	16,527	259	630
Decrease/(increase) in debt securities, treasury bills and equity shares held at fair value through profit or loss	9,888	(7,707)	289	(2,864)
Decrease/(increase) in loans and advances to banks and customers	26	(41,066)	-	-
Net increase in prepayments and accrued income	(1,056)	(84)	-	-
Net decrease/(increase) in other assets	2,470	(5,574)	(806)	(3,132)
<b>Total</b>	<b>(545)</b>	<b>(37,904)</b>	<b>(258)</b>	<b>(5,366)</b>

#### Change in operating liabilities

	Group		Company	
	2022 \$million	2021 <sup>1</sup> \$million	2022 \$million	2021 <sup>1</sup> \$million
Increase/(decrease) in derivative financial instruments	17,145	(17,664)	1,004	-
Net (decrease)/increase in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	(9,259)	66,805	106	3,977
Increase/(decrease) in accruals and deferred income	1,381	176	4	(15)
Net decrease in other liabilities	(481)	(3,363)	(2,080)	(839)
<b>Total</b>	<b>8,786</b>	<b>45,954</b>	<b>(966)</b>	<b>3,123</b>

1 Prior period has been restated

## 34. Cash flow statement continued

## Disclosures

	Group		Company	
	2022 \$million	2021 \$million	2022 \$million	2021 \$million
<b>Subordinated debt (including accrued interest):</b>				
Opening balance	16,885	16,892	16,395	16,301
Proceeds from the issue	750	1,137	750	1,137
Interest paid	(667)	(580)	(619)	(576)
Repayment	(1,848)	(546)	(1,800)	(546)
Foreign exchange movements	(338)	(201)	(337)	(201)
Fair value changes	(1,502)	(401)	(1,098)	(305)
Accrued interest and others	648	584	604	585
<b>Closing balance</b>	<b>13,928</b>	<b>16,885</b>	<b>13,895</b>	<b>16,395</b>
<b>Senior debt (including accrued interest):</b>				
Opening balance	29,904	29,990	16,981	20,889
Proceeds from the issue	11,902	10,944	1,500	2,250
Interest paid	(845)	(690)	(506)	(504)
Repayment	(7,838)	(9,945)	(2,980)	(5,408)
Foreign exchange movements	(729)	(678)	(431)	(366)
Fair value changes	(1,051)	(402)	(1,014)	(372)
Accrued Interest and Others	945	685	530	492
<b>Closing balance</b>	<b>32,288</b>	<b>29,904</b>	<b>14,080</b>	<b>16,981</b>

## 35. Cash and cash equivalents

## Accounting policy

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

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

	Group		Company	
	2022 \$million	2021 \$million	2022 \$million	2021 \$million
Cash and balances at central banks	58,263	72,663	–	–
Less: restricted balances	(9,173)	(8,152)	–	–
Treasury bills and other eligible bills	17,936	9,132	–	–
Loans and advances to banks	20,558	24,788	–	–
Trading securities	1,135	1,174	–	–
Amounts owed by and due to subsidiary undertakings	–	–	7,417	11,336
<b>Total</b>	<b>88,719</b>	<b>99,605</b>	<b>7,417</b>	<b>11,336</b>

## 36. Related party transactions

### Directors and officers

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

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

	2022 \$million	2021 \$million
Salaries, allowances and benefits in kind	39	40
Share-based payments	26	28
Bonuses paid or receivable	4	4
Termination benefits	1	-
<b>Total</b>	<b>70</b>	<b>72</b>

### Transactions with directors and others

At 31 December 2022, the total amounts to be disclosed under the Companies Act 2006 (the Act) and the Listing Rules of the Hong Kong Stock Exchange Limited (Hong Kong Listing Rules) about loans to directors were as follows:

	2022		2021	
	Number	\$million	Number	\$million
Directors <sup>1</sup>	3	-	3	-

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

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

As at 31 December 2022, Standard Chartered Bank had in place a charge over \$89 million (2021: \$100 million) of cash assets in favour of the independent trustee of its employer financed retirement benefit scheme.

Other than as disclosed in the Annual Report and Accounts, there were no other transactions, arrangements or agreements outstanding for any director, connected person or officer of the Company which have to be disclosed under the Act, the rules of the UK Listing Authority or the Hong Kong Listing Rules.

Details of non-revenue transactions with Temasek Holdings (Private) Limited are set out on page 222.

### Company

The Company has received \$1,012 million (2021: \$907 million) of net interest income from its subsidiaries. The Company issues debt externally and lends proceeds to Group companies.

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

	2022			2021		
	Standard Chartered Bank \$million	Standard Chartered Bank (Hong Kong) Limited \$million	Others <sup>1</sup> \$million	Standard Chartered Bank \$million	Standard Chartered Bank (Hong Kong) Limited \$million	Others <sup>1</sup> \$million
<b>Assets</b>						
Due from subsidiaries	6,860	141	255	10,814	82	279
Derivative financial instruments	47	-	-	266	54	-
Debt securities	18,787	4,469	526	19,047	4,852	1,173
<b>Total assets</b>	<b>25,694</b>	<b>4,610</b>	<b>781</b>	<b>30,127</b>	<b>4,988</b>	<b>1,452</b>
<b>Liabilities</b>						
Due to subsidiaries	2	-	-	-	-	-
Derivative financial instruments	1,283	61	-	339	-	-
<b>Total liabilities</b>	<b>1,285</b>	<b>61</b>	<b>-</b>	<b>339</b>	<b>-</b>	<b>-</b>

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

## 36. Related party transactions continued

### Associate and joint ventures

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

	2022 \$million	2021 (Restated) <sup>1</sup> \$million
<b>Assets</b>		
Loans and advances	20	22
Derivative assets	18	2
<b>Total assets</b>	<b>38</b>	<b>24</b>
<b>Liabilities</b>		
Deposits	610	984
Derivative liabilities	–	1
Other liabilities	19	–
<b>Total liabilities</b>	<b>629</b>	<b>985</b>
<b>Loan commitments and other guarantees<sup>2</sup></b>	<b>164</b>	<b>80</b>

1 Prior period has been restated

2 The maximum loan commitments and other guarantees during the period were \$164 million (2021: \$80 million)

## 37. Post balance sheet events

On 9 January 2023, Standard Chartered PLC issued \$1 billion 6.170 per cent Fixed Rate Reset Notes due 2027 and \$1.5 billion 6.301 per cent Fixed Rate Reset Notes due 2029.

The Group announced, on 11 January 2023, the launch of the process to explore alternatives for the future ownership of its aviation finance business within the CCIB business segment. While an auction is now underway, no commitment to a sale existed at 31 December 2022 and, in accordance with IFRS 5, the Group did not meet the requirements to classify the business as 'held for sale'. While it is not possible to estimate the financial effect of a sale at this stage, as no bids have been received yet, we do not expect to execute it at below our book values.

A share buy-back for up to a maximum consideration of \$1 billion has been declared by the directors after 31 December 2022. This will reduce the number of ordinary shares in issue by cancelling the repurchased shares.

A final dividend for 2022 of 14 cents per ordinary share was declared by the directors after 31 December 2022.

## 38. Auditor's remuneration

Auditor's remuneration is included within other general administration expenses. The amounts paid by the Group to their principal auditor, Ernst & Young LLP and its associates (together Ernst & Young LLP), are set out below. All services are approved by the Group Audit Committee and are subject to controls to ensure the external auditor's independence is unaffected by the provision of other services.

	2022 \$million	2021 \$million
Audit fees for the Group statutory audit	22.2	15.9
Of which fees for the audit of Standard Chartered Bank Group	16.3	11.8
Fees payable to EY for other services provided to the SC PLC Group:		
Audit of Standard Chartered PLC subsidiaries	12.8	10.8
<b>Total audit fees</b>	<b>35.0</b>	<b>26.7</b>
Audit-related assurance services	5.5	5.3
Other assurance services	4.3	3.2
Other non-audit services	0.1	0.1
Corporate finance transaction services	0.3	0.6
<b>Total non-audit fees</b>	<b>10.2</b>	<b>9.2</b>
<b>Total fees payable</b>	<b>45.2</b>	<b>35.9</b>

The following is a description of the type of services included within the categories listed above:

- Audit fees for the Group statutory audit are in respect of fees payable to Ernst & Young LLP for the statutory audit of the consolidated financial statements of the Group and the separate financial statements of Standard Chartered PLC
- Audit-related fees consist of fees such as those for services required by law or regulation to be provided by the auditor, reviews of interim financial information, reporting on regulatory returns, reporting to a regulator on client assets and extended work performed over financial information and controls authorised by those charged with governance
- Other assurance services include agreed-upon-procedures in relation to statutory and regulatory filings
- Corporate finance transaction services are fees payable to Ernst & Young LLP for issuing comfort letters

Expenses incurred in respect of their role as auditor, were reimbursed to EY LLP \$0.6 million (2021: \$0.2 million). Such expenses did not exceed 1% of total fees charged above.

### 39. Standard Chartered PLC (Company)

#### Classification and measurement of financial instruments

	2022				2021			
	Derivatives held for hedging \$million	Amortised cost \$million	Non-trading mandatorily at fair value through profit or loss \$million	Total \$million	Derivatives held for hedging \$million	Amortised cost \$million	Non-trading mandatorily at fair value through profit or loss \$million	Total \$million
<b>Financial assets</b>								
Derivatives	61	–	–	61	320	–	–	320
Investment securities	–	8,423	15,358 <sup>1</sup>	23,781	–	9,424	15,647 <sup>1</sup>	25,071
Amounts owed by subsidiary undertakings	–	7,417	–	7,417	–	11,336	–	11,336
<b>Total</b>	<b>61</b>	<b>15,840</b>	<b>15,358</b>	<b>31,259</b>	<b>320</b>	<b>20,760</b>	<b>15,647</b>	<b>36,727</b>

<sup>1</sup> Standard Chartered Bank, Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Bank (China) Limited and Standard Chartered Bank (Singapore) Limited issued Loss Absorbing Capacity (LAC) eligible debt securities

Instruments classified as amortised cost, which include investment securities and amounts owed by subsidiary undertakings, are recorded in stage 1 for the recognition of expected credit losses.

Derivatives held for hedging are held at fair value and are classified as Level 2 and Level 3 while the counterparty is Standard Chartered Bank and external counterparties.

Debt securities comprise corporate securities issued by Standard Chartered Bank and have a fair value equal to carrying value of \$8,423 million (2021: \$9,424 million).

In 2022 and 2021, amounts owed by subsidiary undertakings have a fair value equal to carrying value.

	2022				2021			
	Derivatives held for hedging \$million	Amortised cost \$million	Designated at fair value through profit or loss \$million	Total \$million	Derivatives held for hedging \$million	Amortised cost \$million	Designated at fair value through profit or loss \$million	Total \$million
<b>Financial liabilities</b>								
Derivatives	1,343	–	–	1,343	339	–	–	339
Debt securities in issue	–	13,891	10,397	24,288	–	16,809	9,472	26,281
Subordinated liabilities and other borrowed funds	–	11,239	2,445	13,684	–	13,830	2,332	16,162
Amounts owed to subsidiary undertakings	–	2	–	2	–	–	–	–
<b>Total</b>	<b>1,343</b>	<b>25,132</b>	<b>12,842</b>	<b>39,317</b>	<b>339</b>	<b>30,639</b>	<b>11,804</b>	<b>42,782</b>

Derivatives held for hedging are held at fair value and are classified as Level 2 and Level 3 while the counterparty is Standard Chartered Bank and external counterparties.

The fair value of debt securities in issue held at amortised cost is \$13,611 million (2021: \$17,171 million).

The fair value of subordinated liabilities and other borrowed funds held at amortised cost is \$10,434 million (2021: \$14,569 million).

#### Derivative financial instruments

	2022			2021		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
<b>Derivatives</b>						
<b>Foreign exchange derivative contracts:</b>						
Forward foreign exchange	9,351	47	61	8,362	54	51
Currency swaps	574	–	71	2,049	–	207
<b>Interest rate derivative contracts:</b>						
Swaps	15,423	–	1,211	14,465	266	81
Credit derivative contracts	3,256	14	–	–	–	–
<b>Total</b>	<b>28,604</b>	<b>61</b>	<b>1,343</b>	<b>24,876</b>	<b>320</b>	<b>339</b>

## 39. Standard Chartered PLC (Company) continued

## Credit risk

## Maximum exposure to credit risk

	2022 \$million	2021 \$million
Derivative financial instruments	61	320
Debt securities	23,781	25,071
Amounts owed by subsidiary undertakings	7,417	11,336
<b>Total</b>	<b>31,259</b>	<b>36,727</b>

In 2022 and 2021, amounts owed by subsidiary undertakings were neither past due nor impaired; the Company had no individually impaired loans.

In 2022 and 2021, the Company had no impaired debt securities. The debt securities held by the Company are issued by Standard Chartered Bank, Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Bank (China) Limited and Standard Chartered Bank (Singapore) Limited, subsidiary undertakings with credit ratings of A+.

There is no material expected credit loss on these instruments as they are Stage 1 assets, and of a high quality.

## Liquidity risk

The following table analyses the residual contractual maturity of the assets and liabilities of the Company on a discounted basis:

	2022								Total \$million
	One month or less \$million	Between one month and three months \$million	Between three months and six months \$million	Between six months and nine months \$million	Between nine months and one year \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years and undated \$million	
<b>Assets</b>									
Derivative financial instruments	45	-	-	-	-	-	16	-	61
Investment securities	2,000	-	-	-	-	-	5,351	16,430	23,781
Amount owed by subsidiary undertakings	719	1,250	140	-	840	1,523	2,081	864	7,417
Investments in subsidiary undertakings	-	-	-	-	-	-	-	60,975	60,975
Other assets	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>2,764</b>	<b>1,250</b>	<b>140</b>	<b>-</b>	<b>840</b>	<b>1,523</b>	<b>7,448</b>	<b>78,269</b>	<b>92,234</b>
<b>Liabilities</b>									
Derivative financial instruments	77	3	-	-	-	75	330	858	1,343
Senior debt	-	-	-	-	-	2,090	14,155	8,043	24,288
Amount owed to subsidiary undertakings	-	-	-	-	-	-	-	2	2
Other liabilities	175	134	95	14	5	-	-	-	423
Subordinated liabilities and other borrowed funds	2,004	88	13	248	14	1,900	2,078	7,339	13,684
<b>Total liabilities</b>	<b>2,256</b>	<b>225</b>	<b>108</b>	<b>262</b>	<b>19</b>	<b>4,065</b>	<b>16,563</b>	<b>16,242</b>	<b>39,740</b>
<b>Net liquidity gap</b>	<b>508</b>	<b>1,025</b>	<b>32</b>	<b>(262)</b>	<b>821</b>	<b>(2,542)</b>	<b>(9,115)</b>	<b>62,027</b>	<b>52,494</b>

### 39. Standard Chartered PLC (Company) continued

	2021								
	One month or less \$million	Between one month and three months \$million	Between three months and six months \$million	Between six months and nine months \$million	Between nine months and one year \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years and undated \$million	Total \$million
<b>Assets</b>									
Derivative financial instruments	55	1	2	–	–	55	104	103	320
Investment securities	–	–	–	–	960	4,444	2,947	16,720	25,071
Amount owed by subsidiary undertakings	2,335	159	216	305	853	2,349	2,132	2,987	11,336
Investments in subsidiary undertakings	–	–	–	–	–	–	–	60,429	60,429
<b>Total assets</b>	2,390	160	218	305	1,813	6,848	5,183	80,239	97,156
<b>Liabilities</b>									
Derivative financial instruments	47	–	–	4	95	–	117	76	339
Senior debt	–	–	–	–	–	4,542	11,873	9,866	26,281
Other debt securities in issue	–	–	–	–	–	–	–	–	–
Amount owed to subsidiary undertakings	–	–	–	–	–	–	–	–	–
Other liabilities	169	126	83	15	10	–	–	59	462
Subordinated liabilities and other borrowed funds	1,007	47	15	240	883	2,409	2,470	9,091	16,162
<b>Total liabilities</b>	1,223	173	98	259	988	6,951	14,460	19,092	43,244
<b>Net liquidity gap</b>	1,167	(13)	120	46	825	(103)	(9,277)	61,147	53,912

#### Financial liabilities on an undiscounted basis

	2022								Total \$million
	One month or less \$million	Between one month and three months \$million	Between three months and six months \$million	Between six months and nine months \$million	Between nine months and one year \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years and undated \$million	
Derivative financial instruments	77	3	–	–	–	75	330	858	1,343
Debt securities in issue	88	66	262	145	271	2,896	15,676	9,057	28,461
Subordinated liabilities and other borrowed funds	2,097	174	33	273	17	2,035	2,552	14,668	21,849
Other liabilities	9	15	–	–	–	–	–	–	24
<b>Total liabilities</b>	<b>2,271</b>	<b>258</b>	<b>295</b>	<b>418</b>	<b>288</b>	<b>5,006</b>	<b>18,558</b>	<b>24,583</b>	<b>51,677</b>

	2021								Total \$million
	One month or less \$million	Between one month and three months \$million	Between three months and six months \$million	Between six months and nine months \$million	Between nine months and one year \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years and undated \$million	
Derivative financial instruments	47	–	–	4	95	–	117	76	339
Debt securities in issue	102	30	179	130	196	5,144	13,122	11,019	29,922
Subordinated liabilities and other borrowed funds	1,114	134	37	261	917	2,522	2,786	15,376	23,147
Other liabilities	–	–	–	–	–	–	–	59	59
<b>Total liabilities</b>	<b>1,263</b>	<b>164</b>	<b>216</b>	<b>395</b>	<b>1,208</b>	<b>7,666</b>	<b>16,025</b>	<b>26,530</b>	<b>53,467</b>



## 40. Related undertakings of the Group

As at 31 December 2022, the Group's interests in related undertakings are disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of the Group. Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Funding (Jersey) Limited, Stanchart Nominees Limited, Standard Chartered Holdings Limited and Standard Chartered Nominees Limited are directly held subsidiaries, all other related undertakings are held indirectly. Unless otherwise stated, the principal country of operation of each subsidiary is the same as its country of incorporation. Note 32 details undertakings that have a significant contribution to the Group's net profit or net assets.

### Subsidiary Undertakings

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom				
FinVentures UK Limited	Investment Holding Company	United Kingdom	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing (UK) Limited	Leasing Business	United Kingdom	£1.00 Ordinary shares	100
SC (Secretaries) Limited	Others	United Kingdom	£1.00 Ordinary shares	100
SC Transport Leasing 1 LTD <sup>7b</sup>	Leasing Business	United Kingdom	£1.00 Ordinary shares	100
SC Transport Leasing 2 Limited <sup>7b</sup>	Leasing Business	United Kingdom	£1.00 Ordinary shares	100
SC Ventures Innovation Investment L.P.	Investment Holding Company	United Kingdom	Limited Partnership interest	100
SCMB Overseas Limited	Investment Holding Company	United Kingdom	£0.10 Ordinary shares	100
Stanchart Nominees Limited	Nominee Services	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Africa Limited	Investment Holding Company	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Bank	Banking & Financial Services	United Kingdom	US\$0.01 Non-Cumulative Irredeemable Preference	100
			US\$1.00 Ordinary	100
			US\$5.00 Non-Cumulative Redeemable Preference	100
Standard Chartered Foundation <sup>1</sup>	Charity projects	United Kingdom	Guarantor	100
Standard Chartered Health Trustee (UK) Limited	Trustee Services	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Holdings Limited	Investment Holding Company	United Kingdom	\$2.00 Ordinary shares	100
Standard Chartered I H Limited	Investment Holding Company	United Kingdom	\$1.00 Ordinary shares	100
Standard Chartered Leasing (UK) 3 Limited <sup>9</sup>	Leasing Business	United Kingdom	\$1.00 Ordinary shares	100
Standard Chartered Leasing (UK) Limited <sup>7b,9</sup>	Leasing Business	United Kingdom	\$1.00 Ordinary shares	100
Standard Chartered NEA Limited	Investment Holding Company	United Kingdom	\$1.00 Ordinary shares	100
Standard Chartered Nominees Limited	Nominee Services	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Nominees (Private Clients UK) Limited	Nominee Services	United Kingdom	\$1.00 Ordinary shares	100
Standard Chartered Strategic Investments Limited	Investment Holding Company	United Kingdom	\$1.00 Ordinary shares	100
Standard Chartered Securities (Africa) Holdings Limited	Investment Holding Company	United Kingdom	\$1.00 Ordinary shares	100
Standard Chartered Trustees (UK) Limited	Trustee Services	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered UK Holdings Limited	Investment Holding Company	United Kingdom	\$1.00 Ordinary shares	100
The SC Transport Leasing Partnership 1	Leasing Business	United Kingdom	Limited Partnership interest	100
The SC Transport Leasing Partnership 2	Leasing Business	United Kingdom	Limited Partnership interest	100
The SC Transport Leasing Partnership 3	Leasing Business	United Kingdom	Limited Partnership interest	100
The SC Transport Leasing Partnership 4	Leasing Business	United Kingdom	Limited Partnership interest	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The BW Leasing Partnership 1 LP <sup>1</sup>	Leasing Business	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 2 LP <sup>1</sup>	Leasing Business	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 3 LP <sup>1</sup>	Leasing Business	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 4 LP <sup>1</sup>	Leasing Business	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 5 LP <sup>1</sup>	Leasing Business	United Kingdom	Limited Partnership interest	100
Zodia Markets (UK) Limited	Banking & Financial Services	United Kingdom	\$1.00 Ordinary shares	100
Zodia Markets Holdings Limited	Banking & Financial Services	United Kingdom	\$1.00 Ordinary shares	75.0
The following companies have the address of 2 More London Riverside, London SE1 2JT, United Kingdom				
Bricks (C&K) LP <sup>1</sup>	Limited Partnership interest	United Kingdom	Limited Partnership interest	100
Bricks (C) LP <sup>1</sup>	Limited Partnership interest	United Kingdom	Limited Partnership interest	100
Bricks (T) LP <sup>1</sup>	Limited Partnership interest	United Kingdom	Limited Partnership interest	100
The following companies have the address of 8th Floor, 20 Farringdon Street, London, EC4A 4AB, United Kingdom.				
SC Ventures G.P. Limited	Investment Holding Company	United Kingdom	£1.00 Ordinary shares	100
Assembly Payments UK Ltd	Payment Services Provider	United Kingdom	\$1.00 Ordinary shares	100
The following company has the address of 1 Bartholomew Lane, London, EC2N 2AX, United Kingdom				
Corrasi Covered Bonds LLP	Trustee Services	United Kingdom	Membership Interest	50.0
The following companies have the address of Thomas House, 84 Eccleston Square, London, SW1V 1PX, United Kingdom				
Zodia Custody Limited	Custody services	United Kingdom	\$1.00 Ordinary shares	95.1
Zodia Holdings Limited	Investment holding company	United Kingdom	\$1.00 Ordinary shares	100
The following company has the address of Robert Denholm House, Bletchingly Road, Nutfield, Redhill, RH1 4HW, United Kingdom				
CurrencyFair (UK) Limited	Banking & Financial Services	United Kingdom	£1.00 Ordinary shares	100
The following company has the address of 23 De Walden Street, London, W1G 8RV, United Kingdom				
Shoal Limited	Digital marketplace for sustainable and "green" products.	United Kingdom	US\$1.00 Ordinary	100
The following company has the address of 1 Poultry, London, EC2R 8EJ, United Kingdom				
Zai Technologies Limited	Payment Services Provider.	United Kingdom	£1.00 Ordinary	100
The following company has the address Edifício Kilamba, 8 Andar Avenida 4 de Fevereiro, Marginal, Luanda, Angola				
Standard Chartered Bank Angola S.A.	Banking & Financial Services	Angola	AOK8,742.05 Ordinary shares	60.0
The following company has the address of Level 5, 345 George St, Sydney NSW 2000, Australia				
Standard Chartered Grindlays Pty Limited	Investment Holding Company	Australia	AUD Ordinary shares	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

				Proportion of shares held (%)
Name and registered address	Activity	Place of incorporation	Description of shares	
The following company has the address of 17/31 Queen Street, Melbourne VIC 3000, Australia				
Assembly Payments Australia Pty Ltd	Holding Company	Australia	\$ Ordinary shares	100
The following company has the address of Wilsons Landing, Level 5, 6A Glen Street, Milsons Point NSW 2061, Australia				
CurrencyFair Australia Pty Ltd	Foreign Currency conversion services.	Australia	AUD Ordinary	100
The following company has the address of Level 20, 31 Queen Street, Melbourne VIC 3000, Australia				
Zai Australia Pty Ltd	Payment Service Provider	Australia	\$1.00 Ordinary	100
			AUD0.01 Ordinary shares	
The following companies have the address of 5th Floor Standard House Bldg, The Mall, Queens Road, PO Box 496, Gaborone, Botswana				
Standard Chartered Bank Insurance Agency (Proprietary) Limited	Insurance Services	Botswana	BWP Ordinary shares	100
Standard Chartered Investment Services (Proprietary) Limited	Nominee Services	Botswana	BWP Ordinary shares	100
Standard Chartered Bank Botswana Limited	Banking & Financial Services	Botswana	BWP Ordinary shares	75.8
Standard Chartered Botswana Nominees (Proprietary) Limited	Nominee Services	Botswana	BWP Ordinary shares	100
Standard Chartered Botswana Education Trust <sup>2</sup>	CSR programme.	Botswana	Interest in Trust	100
The following company has the address of Avenida Brigadeiro Faria Lima, no 3.477, 6 andar, conjunto 62 - Torre Norte, Condominio Patio Victor Malzoni, CEP 04538-133, Sao Paulo, Brazil				
Standard Chartered Representação e Participações Ltda	Banking & Financial Services	Brazil	BRL1.00 Ordinary shares	100
The following company has the address of G01-02, Wisma Haji Mohd Taha Building, Jalan Gadong, BE4119, Brunei Darussalam				
Standard Chartered Securities (B) Sdn Bhd	Investment Management	Brunei Darussalam	BND1.00 Ordinary shares	100
The following company has the address of Standard Chartered Bank Cameroon S.A, 1155, Boulevard de la Liberté, Douala, B.P. 1784, Cameroon				
Standard Chartered Bank Cameroon S.A.	Banking & Financial Services	Cameroon	XAF10,000.00 Ordinary shares	100
The following company has the address of 66 Wellington Street, West, Suite 4100, Toronto Dominion Centre, Toronto ON M5K 1B7, Canada				
CurrencyFair (Canada) Ltd	Dormant	Canada	CAD\$ Common shares	100
The following company has the address of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands				
Cerulean Investments LP	Investment Holding Company	Cayman Islands	Limited Partnership interest	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Maples Finance Limited, PO Box 1093 GT, Queensgate House, Georgetown, Grand Cayman, Cayman Islands				
SCB Investment Holding Company Limited	Investment Holding Company	Cayman Islands	US\$1,000.00 Ordinary-A	99.9
The following company has the address of No. 1034, Managed by Tianjin Dongjiang Secretarial Services, Co., Ltd., Room 202, Office Area of Inspection Warehouse,, No.6262 Ao Zhou Road, Dongjiang Free Trade Port Zone,, Tianjin Pilot Free Trade Zone, China				
Pembroke Aircraft Leasing (Tianjin) Limited <sup>3</sup>	Holding Company	China	\$1.00 Ordinary shares	100
The following company has the address of No. 1035, Managed by Tianjin Dongjiang Secretarial Services, Co., Ltd., Room 202, Office Area of Inspection Warehouse,, No.6262 Ao Zhou Road, Dongjiang Free Trade Port Zone,, Tianjin Pilot Free Trade Zone, China				
Pembroke Aircraft Leasing Tianjin 1 Limited <sup>3</sup>	SPV for Aircraft Operating Lease Business	China	CNY1.00 Ordinary shares	100
The following company has the address of No. 1036, Managed by Tianjin Dongjiang Secretarial Services, Co., Ltd., Room 202, Office Area of Inspection Warehouse,, No.6262 Ao Zhou Road, Dongjiang Free Trade Port Zone,, Tianjin Pilot Free Trade Zone, China				
Pembroke Aircraft Leasing Tianjin 2 Limited <sup>3</sup>	SPV for Aircraft Operating Lease Business	China	CNY1.00 Ordinary shares	100
The following company has the address of Standard Chartered Tower, 201 Century Avenue, Pudong, Shanghai 200120, China				
Standard Chartered Bank (China) Limited <sup>3</sup>	Commercial banking	China	CNY Ordinary shares	100
The following company has the address of No. 35, Xinhuanbei Road, TEDA, Tianjin, 300457, China				
Standard Chartered Global Business Services Co. Limited <sup>3</sup>	Research, development, other services	China	\$ Ordinary shares	100
The following companies have the address of Units Unit 802B, 803, 1001A, 1002B, 1003-1005, 1101-1105, 1201-1205, 1302C, 1303, No. 235 Tianhe North Road, Tianhe District,, Guangzhou City, Guangdong Province, China				
Standard Chartered Global Business Services (Guangzhou) Co.Ltd. <sup>3</sup>	Research, development, other services	China	\$ Ordinary shares	100
Standard Chartered (Guangzhou) Business Management Co.Ltd. <sup>3</sup>	Business consulting services	China	\$ Ordinary shares	100
The following company has the address of 8A, Hony Tower, 1st Financial Street, Nanshan District, Shenzhen, China				
SC Ventures Investment Management (Shenzhen) Limited	Serve as a fund manager in China	China	US\$1.00 Ordinary	100
The following company has the address of Room 2619, No 9, Linhe West Road, Tianhe District, Guangzhou, China				
Guangzhou CurrencyFair Information Technology Limited <sup>3</sup>	Foreign Currency conversion services.	China	CNY Ordinary shares	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of No. 188 Yeshen Rd, 11F, A-1161 RM, Pudong New District, Shanghai, 31, 201308, China				
Standard Chartered Trading (Shanghai) Limited <sup>3</sup>	wholesale of base metal and its products	China	\$15,000,000.00 Ordinary Shares	100
The following company has the address of Standard Chartered Bank Cote d'Ivoire, 23 Boulevard de la République, Abidjan 17, 17 B.P. 1141, Cote d'Ivoire				
Standard Chartered Bank Cote d'Ivoire SA	Banking & Financial Services	Cote d'Ivoire	XOF100,000.00 Ordinary shares	100
The following company has the address of 8 Ecowas Avenue, Banjul, Gambia				
Standard Chartered Bank Gambia Limited	Banking & Financial Services	Gambia	GMD1.00 Ordinary shares	74.8
The following company has the address of Taunusanlage 16, 60325, Frankfurt am Main, Germany				
Standard Chartered Bank AG	Banking & Financial Services	Germany	€ Ordinary shares	100
The following companies have the address of Standard Chartered Bank Building, 87 Independence Avenue, P.O. Box 768, Accra, Ghana				
Standard Chartered Bank Ghana PLC	Banking & Financial Services	Ghana	GHS Ordinary shares	69.4
			GHS0.52 Non-cumulative Irredeemable Preference Shares	87.0
Standard Chartered Ghana Nominees Limited	Nominee Services	Ghana	GHS Ordinary shares	100
The following company has the address of Standard Chartered Bank Ghana Limited, 87, Independence Avenue, Post Office Box 678, Accra, Ghana				
Standard Chartered Wealth Management Limited Company	Investment Management	Ghana	GHS Ordinary shares	100
The following company has the address of 18/F., Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong				
Horsford Nominees Limited	Nominee Services	Hong Kong	HKD Ordinary shares	100
The following companies have the address of 14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.				
Kozagi Limited	Investment Holding Company	Hong Kong	HKD Ordinary shares	100
Standard Chartered PF Real Estate (Hong Kong) Limited	Investment Holding Company	Hong Kong	\$ Ordinary shares	100
The following companies have the address of 15/F., Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong				
Marina Acacia Shipping Limited	Leasing Business	Hong Kong	\$ Ordinary shares	100
Marina Amethyst Shipping Limited	Leasing Business	Hong Kong	\$ Ordinary shares	100
Marina Angelite Shipping Limited	Leasing Business	Hong Kong	\$ Ordinary shares	100
Marina Beryl Shipping Limited	Leasing Business	Hong Kong	\$ Ordinary shares	100
Marina Emerald Shipping Limited	Leasing Business	Hong Kong	\$ Ordinary shares	100
Marina Flax Shipping Limited	Leasing Business	Hong Kong	\$ Ordinary shares	100
Marina Gloxinia Shipping Limited	Leasing Business	Hong Kong	\$ Ordinary shares	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

				Proportion of shares held (%)
Name and registered address	Activity	Place of incorporation	Description of shares	
Marina Hazel Shipping Limited	Leasing Business	Hong Kong	\$ Ordinary shares	100
Marina Ilex Shipping Limited	Leasing Business	Hong Kong	\$ Ordinary shares	100
Marina Iridot Shipping Limited	Leasing Business	Hong Kong	\$ Ordinary shares	100
Marina Leasing Limited	Leasing Business	Hong Kong	\$ Ordinary shares	100
Marina Mimosa Shipping Limited	Leasing Business	Hong Kong	\$ Ordinary shares	100
Marina Moonstone Shipping Limited	Leasing Business	Hong Kong	\$ Ordinary shares	100
Marina Peridot Shipping Limited	Leasing Business	Hong Kong	\$ Ordinary shares	100
Marina Sapphire Shipping Limited	Leasing Business	Hong Kong	\$ Ordinary shares	100
Marina Tourmaline Shipping Limited	Leasing Business	Hong Kong	\$ Ordinary shares	100
Standard Chartered Leasing Group Limited	Investment Holding Company	Hong Kong	\$ Ordinary shares	100
The following company has the address of 25/F, Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong				
Standard Chartered Trade Support (HK) Limited	Corporate Finance & Advisory Services	Hong Kong	HKD Ordinary shares	100
The following company has the address of 13/F Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong				
Standard Chartered Private Equity Limited	Investment Holding Company	Hong Kong	HKD Ordinary shares	100
The following company has the address of 14/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong				
Standard Chartered Trust (Hong Kong) Limited	Investment Management	Hong Kong	HKD Ordinary shares	100
The following company has the address of 15/F, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong				
Standard Chartered Securities (Hong Kong) Limited	Corporate Finance & Advisory Services	Hong Kong	HKD Ordinary shares	100
The following company has the address of 21/F, Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong				
Standard Chartered Asia Limited	Investment Holding Company	Hong Kong	HKD Deferred shares	100
			HKD Ordinary shares	100
The following company has the address of 32/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong				
Standard Chartered Bank (Hong Kong) Limited	Banking & Financial Services	Hong Kong	HKD Ordinary-A	100
			HKD Ordinary-B	100
			US\$ Ordinary-C	100
			US\$ Ordinary-D	100
The following company has the address of 39/F., Oxford House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong				
Mox Bank Limited	Banking & Financial Services	Hong Kong	HKD Ordinary shares	66.0
The following company has the address of 31/F, Tower 2 Times Square, 1 Matheson St, Causeway Bay, Hong Kong				
Assembly Payments HK Limited	Online payment platform	Hong Kong	HKD Ordinary Shares	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

				Proportion of shares held (%)
Name and registered address	Activity	Place of incorporation	Description of shares	
The following company has the address of Suites 1103-4 AXA Tower, Landmark East, 100 How Ming Street, Kwun Tong, Hong Kong				
Currencyfair Asia Limited	Foreign Currency conversion services.	Hong Kong	HKD Ordinary shares	100
The following company has the address of 2 Floor Sabari Complex 24 Field Marshal, Capriappa RD Shanthala Nagar, Ashok Nagar, Bangalore, Karnataka,, 560025, India				
Assembly Payments India Private Limited	Activities auxiliary to financial intermediation	India	INR100.00 Ordinary	100
The following company has the address of 1st Floor, Europe Building, No.1, Haddows Road, Nungambakkam, Chennai, 600 006, India				
Standard Chartered Global Business Services Private Limited	Offshore Support Services	India	INR10.00 Equity shares	100
The following company has the address of 90 M.G.Road, II Floor, Fort, Mumbai, Maharashtra, 400 001, India				
Standard Chartered Finance Private Limited	Support Services	India	INR10.00 Ordinary shares	98.6
The following company has the address of Ground Floor, Crescenzo Building, G Block, C 38/39 , Bandra Kurla Complex, Bandra (East) , Mumbai , Mumbai , Maharashtra , 400051, India				
Standard Chartered Private Equity Advisory (India) Private Limited	Support Services	India	INR1,000.00 Ordinary shares	100
The following company has the address of Second Floor, Indiqube Edge, Khata No. 571/630/6/4, Sy.No.6/4, Ambalipura Village, Varthur Hobli, Marathahalli Sub-Division, Ward No. 150, Bengaluru, 560102, India.				
Standard Chartered Research and Technology India Private Limited	Support Services	India	INR10.00 A Equity shares	100
			INR10.00 Cumulative Redeemable Preference	100
The following company has the address of Crescenzo, 6th Floor, Plot No 38-39 G Block , Bandra Kurla Complex, , Bandra East , Mumbai , Maharashtra , 400051, India				
Standard Chartered Capital Limited	Banking & Financial Services	India	INR10.00 Equity shares	100
The following company has the address of 2nd Floor, 23-25 M.G. Road, Fort, Mumbai, 400 001, India				
Standard Chartered Securities (India) Limited	Banking & Financial Services	India	INR10.00 Equity shares	100
The following company has the address of Ground Floor, Crescenzo Building, G Block, C 38/39 , Bandra Kurla Complex, Bandra (East) , Mumbai , Mumbai , Maharashtra , 400051, India				
St Helen's Nominees India Private Limited	Nominee Services	India	INR10.00 Equity shares	100



## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Vaishnavi Serenity, First Floor, No. 112, Koramangala Industrial Area, 5th Block, Koramangala, Bangalore, Karnataka, 560095, India				
Standard Chartered (India) Modeling and Analytics Centre Private Limited	Support Services	India	INR10.00 Equity shares	100
The following companies have the address of 91 Pembroke Road, Dublin 4, Ballsbridge, Dublin, DO4 EC42, Ireland				
CurrencyFair (Canada) Limited	Dormant	Ireland	€1.00 Ordinary	100
CurrencyFair Nominees Limited	Nominee company	Ireland	€1.00 Ordinary	100
The following companies have the address of 32 Molesworth Street, Dublin 2, D02Y512, Ireland				
Inishbrophy Leasing Limited	Leasing Business	Ireland	€1.00 Ordinary shares	100
Inishcannon Leasing Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Inishcrean Leasing Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Inishdawson Leasing Limited	Leasing Business	Ireland	€1.00 Ordinary shares	100
Inisherkin Leasing Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Inishoo Leasing Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Nightjar Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 1 Limited	Leasing Business	Ireland	€1.00 Ordinary shares	100
Pembroke Aircraft Leasing 2 Limited	Leasing Business	Ireland	€1.00 Ordinary shares	100
Pembroke Aircraft Leasing 3 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 4 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 5 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 6 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 7 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 8 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 9 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 10 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 11 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 12 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 13 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 14 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 15 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 16 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing Holdings Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Capital Limited	Leasing Business	Ireland	€1.25 Ordinary shares US\$1.00 Ordinary	100
Skua Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Zodia Markets (Ireland) Limited	Banking & Financial Services	Ireland	\$1.00 Ordinary shares	100
The following company has the address of 27 Fitzwilliam Street, Dublin, D02 TP23, Ireland				
Zodia Custody (Ireland) Limited	Custody services	Ireland	\$1.00 Ordinary shares	100
The following company has the address of 91 Pembroke Road, Dublin 4, Ballsbridge, Dublin, DO4 EC42, Ireland				
CurrencyFair Limited	FX transfer services	Ireland	€0.001 Ordinary shares €0.001 Ordinary shares	100 279

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of First Names House, Victoria Road, Douglas, IM2 4DF, Isle of Man				
Pembroke Group Limited <sup>4</sup>	Aircraft leasing, fleet advisory and technical services	Isle of Man	\$0.01 Ordinary shares	100
The following companies have the address of 1st Floor, Goldie House, 1-4 Goldie Terrace, Upper Church Street, Douglas, IM1 1EB, Isle of Man				
Standard Chartered Assurance Limited	Insurance Services	Isle of Man	\$1.00 Ordinary shares	100
			US\$1.00 Redeemable Preference	100
Standard Chartered Isle of Man Limited <sup>5</sup>	Insurance & Reinsurance Company	Isle of Man	\$1.00 Ordinary shares	100
The following company has the address of 21/F, Sanno Park Tower, 2-11-1 Nagatacho, Chiyoda-ku, Tokyo, 100-6155, Japan				
Standard Chartered Securities (Japan) Limited	Banking & Financial Services	Japan	JPY Ordinary	100
The following company has the address of 15 Castle Street, St Helier, JE4 8PT, Jersey				
SCB Nominees (CI) Limited	Nominee Services	Jersey	\$1.00 Ordinary shares	100
The following company has the address of IFC 5, St Helier, JE1 1ST, Jersey				
Standard Chartered Funding (Jersey) Limited <sup>5</sup>	Investment Holding Company	Jersey	£1.00 Ordinary shares	100
The following companies have the address of StandardChartered@ Chiromo, Number 48, Westlands Road, P. O. Box 30003 - 00100, Nairobi, Kenya				
Solveazy Technology Kenya Ltd	B2B digital platform	Kenya	KES1,000.00 Ordinary	100
Standard Chartered Bancassurance Intermediary Limited	Insurance Services	Kenya	KES1,00.00 Ordinary shares	100
Standard Chartered Investment Services Limited	Investment services	Kenya	KES20.00 Ordinary shares	100
Standard Chartered Bank Kenya Limited	Banking & Financial Services	Kenya	KES5.00 Ordinary shares	74.3
Standard Chartered Securities (Kenya) Limited	Corporate Finance & Advisory Services	Kenya	KES10.00 Ordinary shares	100
			KES5.00 Preference	100
Standard Chartered Financial Services Limited	Merchant Banking	Kenya	KES20.00 Ordinary shares	100
Standard Chartered Kenya Nominees Limited <sup>1</sup>	Nominee Services	Kenya	KES20.00 Ordinary shares	100
Tawi Fresh Kenya Limited	Digital Marketplace, Ecommerce	Kenya	KES1,000.00 Ordinary	100
The following company has the address of 47 Jongno, Jongno-gu, Seoul, 110-702, Republic of Korea				
Standard Chartered Bank Korea Limited	Banking & Financial Services	Korea, Republic of	KRW5,000.00 Ordinary shares	100
The following company has the address of 2F, 47 Jongno, Jongno-gu, Seoul, 110-702, Republic of Korea				
Standard Chartered Securities Korea Co., Ltd	Asset Management	Korea, Republic of	KRW5,000.00 Ordinary shares	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

				Proportion of shares held (%)
Name and registered address	Activity	Place of incorporation	Description of shares	
The following company has the address of Atrium Building, Maarad Street, 3rd Floor, P.O.Box: 11-4081 Riad El Solh, Beirut, Beirut Central District, Lebanon				
Standard Chartered Metropolitan Holdings SAL	Investment Holding Company	Lebanon	\$10.00 Ordinary A shares	100
The following companies have the address of Level 26, Equatorial Plaza, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia				
Cartaban (Malaya) Nominees Sdn Berhad	Nominee Services	Malaysia	RM Ordinary shares	100
Cartaban Nominees (Asing) Sdn Bhd	Nominee Services	Malaysia	RM Ordinary shares	100
Cartaban Nominees (Tempatan) Sdn Bhd	Nominee Services	Malaysia	RM Ordinary shares	100
Golden Maestro Sdn Bhd	Investment Holding Company	Malaysia	RM Ordinary shares	100
Price Solutions Sdn Bhd	Direct Sales/Collection Services	Malaysia	RM Ordinary shares	100
SCBMB Trustee Berhad	Trustee Services	Malaysia	RM Ordinary shares	100
Standard Chartered Bank Malaysia Berhad	Banking & Financial Services	Malaysia	RM Irredeemable Convertible Preference shares	100
			RM Ordinary shares	100
Standard Chartered Saadiq Berhad	Banking & Financial Services	Malaysia	RM Ordinary shares	100
The following companies have the address of TMF Trust Labuan Limited, Brumby Centre, Lot 42,, Jalan Muhibbah, 87000 Labuan F.T., Malaysia				
Marina Morganite Shipping Limited <sup>6</sup>	Ownership and leasing of vessels	Malaysia	\$ Ordinary shares	100
Marina Moss Shipping Limited <sup>6</sup>	Ownership and Leasing of vessels	Malaysia	\$ Ordinary shares	100
Marina Tanzanite Shipping Limited <sup>6</sup>	Ownership and leasing of vessels	Malaysia	\$ Ordinary shares	100
The following company has the address of Suite 18-1, Level 18, Vertical Corporate Tower B, Avenue 10, The Vertical, Bangsar South City , No. 8, Jalan Kerinchi , 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia				
Resolution Alliance Sdn Bhd	Investment Holding Company	Malaysia	RM Ordinary shares	100
			Irredeemable Preference	100
The following company has the address of 12th Floor, Menara Symphony , No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya , Selangor, Malaysia				
Solv Sdn. Bhd.	B2B digital platform offering financial services	Malaysia	RM5.00 Ordinary	100
The following company has the address of Level 1, Wisma Standard Chartered, Jalan Teknologi 8, Taman Teknologi Malaysia, 57000 Bukit Jalil, Kuala Lumpur, Wilayah Persekutuan, Malaysia				
Standard Chartered Global Business Services Sdn Bhd	Offshore Support Services	Malaysia	RM Ordinary shares	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 10th Floor, Menara Hap Seng, No. 1&3, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia				
Assembly Payments Malaysia Sdn. Bhd.	Other financial service activities	Malaysia	RM Ordinary shares	100
The following companies have the address of Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands				
Marina Alysse Shipping Limited <sup>6</sup>	Ownership, Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Amandier Shipping Limited <sup>6</sup>	Ownership, Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Ambroisee Shipping Limited <sup>6</sup>	Ownership, Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Angelica Shipping Limited <sup>6</sup>	Ownership, Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Aventurine Shipping Limited <sup>6</sup>	Ownership, Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Buxus Shipping Limited <sup>6</sup>	Ownership, Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Citrine Shipping Limited <sup>6</sup>	Ownership, Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Dahlia Shipping Limited <sup>6</sup>	Ownership, Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Dittany Shipping Limited <sup>6</sup>	Ownership, Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Dorado Shipping Limited <sup>6</sup>	Ownership, Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Lilac Shipping Limited <sup>6</sup>	Ownership, Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Lolite Shipping Limited <sup>6</sup>	Ownership, Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Obsidian Shipping Limited <sup>6</sup>	Ownership, Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Protea Shipping Limited <sup>6</sup>	Ownership, Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Quartz Shipping Limited <sup>6</sup>	Ownership, Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Remora Shipping Limited <sup>6</sup>	Ownership, Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Turquoise Shipping Limited <sup>6</sup>	Ownership, Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Zircon Shipping Limited <sup>6</sup>	Ownership, Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
The following companies have the address of 6/F, Standard Chartered Tower, 19, Bank Street, Cybercity, Ebene, 72201, Mauritius				
Standard Chartered Bank (Mauritius) Limited	Banking & Financial Services	Mauritius	\$ Ordinary shares	100
Standard Chartered Private Equity (Mauritius) Limited	Investment Management	Mauritius	\$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) II Limited	Investment Management	Mauritius	\$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) III Limited	Investment Management	Mauritius	\$1.00 Ordinary shares	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Mondial Management Services Ltd, Unit 2L, 2nd Floor Standard Chartered Tower, 19 Cybercity, Ebene, Mauritius				
Subcontinental Equities Limited	Investment Holding Company	Mauritius	\$1.00 Ordinary shares	100
The following company has the address of IQEQ Corporate Services (Mauritius) Ltd, 33, Edith Cavell Street, Port Louis, 11324, Mauritius				
Actis Treit Holdings (Mauritius) Limited <sup>1</sup>	Investment Holding Company	Mauritius	Class A \$1.00 Ordinary shares	62.0
The following company has the address of Standard Chartered Bank Nepal Limited, Madan Bhandari Marg, Ward No.34, Kathmandu Metropolitan City, Kathmandu District, Bagmati Zone, Kathmandu, Nepal				
Standard Chartered Bank Nepal Limited	Banking & Financial Services	Nepal	NPR100.00 Ordinary shares	70.2
The following company has the address of Hoogoorddreef 15, 1101 BA, Amsterdam, Netherlands				
Pembroke Holland B.V.	Leasing Business	Netherlands	€450.00 Ordinary shares	100
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom				
Standard Chartered Holdings (Africa) B.V. <sup>5</sup>	Holding company	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings (Asia Pacific) B.V. <sup>5</sup>	Holding company	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings (International) B.V. <sup>5</sup>	Holding company	Netherlands	€4.50 Ordinary shares	100
Standard Chartered MB Holdings B.V. <sup>5</sup>	Holding company.	Netherlands	€4.50 Ordinary shares	100
The following company has the address of 4 All good Place, Rototuna North, Hamilton, New Zealand, 3210				
PromisePay Limited	Payment Services Provider	New Zealand	NZD Ordinary shares	100
The following companies have the address of 142, Ahmadu Bello Way, Victoria Island, Lagos, 101241, Nigeria				
Standard Chartered Bank Nigeria Limited	Banking & Financial Services	Nigeria	NGN1.00 B Redeemable Preference	100
			NGN1.00 Irredeemable Non Cumulative Preference	100
			NGN1.00 Ordinary	100
Standard Chartered Capital & Advisory Nigeria Limited	Corporate Finance & Advisory Services	Nigeria	NGN1.00 Ordinary shares	100
Standard Chartered Nominees (Nigeria) Limited	Custody Services	Nigeria	NGN1.00 Ordinary shares	100
The following company has the address of 3/F Main SCB Building, I.I Chundrigar Road, Karachi, Sindh, 74000, Pakistan				
Price Solution Pakistan (Private) Limited	Banking & Financial Services	Pakistan	PKR10.00 Ordinary shares	100
The following company has the address of P.O. Box No. 55561.I. Chundrigar Road, Karachi, 74000, Pakistan				
Standard Chartered Bank (Pakistan) Limited	Banking & Financial Services	Pakistan	PKR10.00 Ordinary shares	98.9

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Rondo Ignacego Daszyńskiego 2B, 00-843, Warsaw, Poland				
Standard Chartered Global Business Services spółka z ograniczoną odpowiedzialnością	Offshore Support Services	Poland	PLN50.00 Ordinary shares	100
The following company has the address of Al Faisaliah Office Tower Floor No 7 (T07D), King Fahad Highway, Olaya District, Riyadh P.O box 295522, Riyadh, 11351, Saudi Arabia				
Standard Chartered Capital (Saudi Arabia)	Custody Services	Saudi Arabia	SAR10.00 Ordinary shares	100
The following company has the address of 9 & 11, Lightfoot Boston Street, Freetown, Sierra Leone				
Standard Chartered Bank Sierra Leone Limited	Banking & Financial Services	Sierra Leone	SLL1.00 Ordinary shares	80.7
The following companies have the address of 9 Raffles Place, #27-00 Republic Plaza, 048619, Singapore				
Actis Treit Holdings No.1 (Singapore) Private Limited <sup>1</sup>	Investment Holding Company	Singapore	SGD Ordinary	100
Actis Treit Holdings No.2 (Singapore) Private Limited <sup>1</sup>	Investment Holding Company	Singapore	SGD Ordinary	100
The following companies have the address of 8 Marina Boulevard, Marina Bay Financial Centre Tower 1, Level 25-01, 018981, Singapore, Singapore				
Standard Chartered Private Equity (Singapore) Pte. Ltd	Investment Holding Company	Singapore	\$ Ordinary shares	100
Standard Chartered Real Estate Investment Holdings (Singapore) Private Limited	Investment Holding Company	Singapore	\$ Ordinary shares	100
The following companies have the address of 8 Marina Boulevard, Level 26, Marina Bay Financial Centre, Tower 1, 018981, Singapore				
Marina Aquata Shipping Pte. Ltd.	Leasing Business	Singapore	\$ Ordinary shares	100
Marina Aruana Shipping Pte. Ltd.	Leasing Business	Singapore	SGD & USD Ordinary shares	100
Marina Cobia Shipping Pte. Ltd.	Leasing Business	Singapore	SGD & USD Ordinary shares	100
Marina Fatmarini Shipping Pte. Ltd.	Leasing Business	Singapore	\$ Ordinary shares	100
Marina Frabandari Shipping Pte. Ltd.	Leasing Business	Singapore	\$ Ordinary shares	100
Marina Gerbera Shipping Pte. Ltd.	Leasing Business	Singapore	\$ Ordinary shares	100
Marina Opah Shipping Pte. Ltd.	Leasing Business	Singapore	SGD Ordinary shares	100
Marina Partawati Shipping Pte. Ltd.	Leasing Business	Singapore	\$ Ordinary shares	100
The following company has the address of 7 Changi Business Park Crescent, #03-00 Standard Chartered @ Changi, 486028, Singapore				
Raffles Nominees (Pte.) Limited	Nominee Services	Singapore	SGD Ordinary shares	100
The following companies have the address of 8 Marina Boulevard, #27-01 Marina Bay Financial Centre Tower 1, 018981, Singapore				
SCTS Capital Pte. Ltd	Nominee Services	Singapore	SGD Ordinary shares	100
SCTS Management Pte. Ltd.	Nominee Services	Singapore	SGD Ordinary shares	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

				Proportion of shares held (%)
Name and registered address	Activity	Place of incorporation	Description of shares	
Standard Chartered Bank (Singapore) Limited	Banking & Financial Services	Singapore	SGD Non-cumulative Class C Tier-1 preference	100
			SGD Ordinary-A	100
			US\$ Non-cumulative Class B Tier-1 Preference	100
			US\$ Ordinary-A	100
			US\$ Ordinary-B	100
			US\$ Ordinary-C	100
Standard Chartered Trust (Singapore) Limited	Trustee Services	Singapore	SGD Ordinary shares	100
Standard Chartered Holdings (Singapore) Private Limited	Investment Holding Company	Singapore	SGD Ordinary	100
			US\$ Ordinary	100
Standard Chartered Nominees (Singapore) Pte Ltd	Nominee Services	Singapore	SGD Ordinary shares	100
The following companies have the address of 80 Robinson Road, #02-00, 068898, Singapore				
Autumn Life Pte. Ltd.	Support Services	Singapore	\$ Ordinary shares	100
Cardspal Pte. Ltd.	Support Services	Singapore	\$ Ordinary shares	100
Audax Financial Technology Pte. Ltd	Support Services	Singapore	\$ Ordinary shares	100
Letsbloom Pte. Ltd.	Others	Singapore	\$ Ordinary shares	100
SCV Research and Development Pte. Ltd.	Others	Singapore	\$ Ordinary shares	100
Pegasus Dealmaking Pte. Ltd.	Mergers and Acquisitions (M&A) marketplace	Singapore	\$ Ordinary shares	100
The following companies have the address of Tricor WP Corporate Services Pte Ltd, 80 Robinson Road #02-00, 068898, Singapore				
Power2SME Pte. Ltd.	Investment Holding Entity	Singapore	\$ Ordinary shares	90.6
SCV Master Holding Company Pte. Ltd.	Investment Holding Entity	Singapore	\$ Ordinary shares	100
Solv-India Pte. Ltd.	Investment Holding Entity	Singapore	\$ Ordinary shares	100
The following company has the address of 77 Robinson Road, #25-00 Robinson 77, 068896, Singapore				
Trust Bank Singapore Limited	Banking & Financial Services	Singapore	SGD Ordinary shares	60.0
The following company has the address of 1 Robinson Road, #17-00, AIA Tower, 048542, Singapore				
CurrencyFair (Singapore) Pte.Ltd	Foreign Currency conversion services.	Singapore	SGD Ordinary shares	100
The following companies have the address of 38 Beach Road, #29-11 South Beach Tower, 189767, Singapore				
Assembly Payments SGP Pte. Ltd.	Transaction/Payment Processing Services	Singapore	SGD Ordinary shares	100
Assembly Payments Pte. Ltd.	Investment holding company	Singapore	\$ Ordinary shares	100
			\$ Preference shares	100
The following company has the address of Abogado Pte Ltd, No. 8 Marina Boulevard, #05-02 MBFC Tower 1, 018981, Singapore				
Standard Chartered IL&FS Management (Singapore) Pte. Limited	Investment Management	Singapore	\$ Ordinary	50.0



## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 2nd Floor, 115 West Street, Sandton, Johannesburg, 2196, South Africa				
CMB Nominees (RF) PTY Limited	Nominee Services	South Africa	ZAR1.00 Ordinary shares	100
Standard Chartered Nominees South Africa Proprietary Limited (RF)				
	Nominee Services	South Africa	ZAR Ordinary shares	100
The following company has the address of 6 Fort Street, PO 785848, , Birnam, Sandton, 2196 2146, South Africa				
PromisePay (PTY) Ltd	Payment Services Provider	South Africa	ZAR1.00 Ordinary	100
The following company has the address of 1F, No.177 & 3F-6F, 17F-19F, No.179, Liaoning Street, Zhongshan Dist., Taipei, 104, Taiwan				
Standard Chartered Bank (Taiwan) Limited	Banking & Financial Services	Taiwan	TWD10.00 Ordinary shares	100
The following companies have the address of 1 Floor, International House, Shaaban Robert Street/Garden Avenue, PO Box 9011, Dar Es Salaam, Tanzania, United Republic of				
Standard Chartered Bank Tanzania Limited	Banking & Financial Services	Tanzania	TZS1,000.00 Ordinary shares	100
			TZS1,000.00 Preference	100
Standard Chartered Tanzania Nominees Limited	Nominee Services	Tanzania	TZS1,000.00 Ordinary shares	100
The following company has the address of No. 140, 11th, 12th and 14th Floor, Wireless Road, Lumpini, Patumwan, Bangkok, 10330, Thailand				
Standard Chartered Bank (Thai) Public Company Limited	Banking & Financial Services	Thailand	THB10.00 Ordinary shares	99.9
The following company has the address of Buyukdere Cad. Yapi Kredi Plaza C Blok, Kat 15, Levent, Istanbul, 34330, Türkiye				
Standard Chartered Yatirim Bankasi Turk Anonim Sirketi	Banking & Financial Services	Türkiye	TRL0.10 Ordinary shares	100
The following company has the address of Standard Chartered Bank Bldg, 5 Speke Road, PO Box 7111, Kampala, Uganda				
Standard Chartered Bank Uganda Limited	Banking & Financial Services	Uganda	UGS1,000.00 Ordinary shares	100
The following company has the address of EX-26, Ground Floor, Bldg 16-Co Work, Dubai Internet City, Dubai, United Arab Emirates				
Appro Onboarding Solutions FZ-LLC	IT solutions provider and support service provider.	United Arab Emirates	AED1,000.00 Ordinary shares	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Suites 507, 508, 509, 15th Floor, Al Sarab Tower, Adgm Square, Al Maryah Island, Abu Dhabi				
Financial Inclusion Technologies Ltd	Digital wallet and technology payments platform	United Arab Emirates	US\$1.00 Ordinary	100
The following company has the address of 505 Howard St. #201, San Francisco, CA 94105, United States				
SC Studios, LLC	Offshore Support Services	United States	Membership Interest	100
The following company has the address of Standard Chartered Bank, 37F, 1095 Avenue of the Americas, New York 10036, United States				
Standard Chartered Bank International (Americas) Limited	Banking & Financial Services	United States	\$1,000.00 Ordinary shares	100
The following companies have the address of Corporation Trust Centre, 1209 Orange Street, Wilmington DE 19801, United States				
Standard Chartered Holdings Inc.	Investment Holding Company	United States	\$100.00 Common shares	100
Standard Chartered Securities (North America) LLC	Banking & Financial Services	United States	Membership Interest	100
The following company has the address of 50 Fremont Street, San Francisco CA 94105, United States				
Standard Chartered Overseas Investment, Inc.	Investment Holding Company	United States	\$10.00 Ordinary shares	100
The following companies have the address of C/O Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States				
CurrencyFair (USA) Inc	Dormant	United States	\$1.00 Uncertificated Shares	100
Standard Chartered Trade Services Corporation	Trade Services	United States	\$0.01 Common shares	100
The following company has the address of 25 Taylor St, San Francisco, CA, 94102-3916				
Assembly Escrow Inc	Payment Services Provider	United States	\$0.0001 Ordinary	100
The following company has the address of 555 Washington Av, St Louis, MO, United States of America, 63101				
Assembly Payments, Inc	Payment services provider	United States	\$0.0001 Ordinary	100
The following company has the address of Level 3, #CP1.L01 and #CP2.L01, Capital Place, 29 Lieu Giai Street, Ngoc Khanh Ward, Ba Dinh District, Ha Noi, 10000, Vietnam				
Standard Chartered Bank (Vietnam) Limited	Banking & Financial Services	Vietnam	VND Charter Capital shares	100

## 40. Related undertakings of the Group continued

### Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, Virgin Islands, British				
Sky Favour Investments Limited <sup>6</sup>	Investment Holding Company	Virgin Islands, British	\$1.00 Ordinary shares	100
Sky Harmony Holdings Limited <sup>6</sup>	Investment Holding Company	Virgin Islands, British	\$1.00 Ordinary shares	100
The following companies have the address of Stand No. 4642, Corner of Mwaimwena Road and Addis Ababa Dri, Lusaka, Zambia, 10101, Zambia				
Standard Chartered Bank Zambia Plc	Banking & Financial Services	Zambia	ZMW0.25 Ordinary shares	90.0
Standard Chartered Zambia Securities Services Nominees Limited	Nominee Services	Zambia	ZMW1.00 Ordinary shares	100
The following companies have the address of Africa Unity Square Building, 68 Nelson Mandela Avenue, Harare, Zimbabwe				
Africa Enterprise Network Trust <sup>2</sup>	Investment Holding Company	Zimbabwe	Interest in Trust	100
Standard Chartered Bank Zimbabwe Limited	Banking & Financial Services	Zimbabwe	\$1.00 Ordinary shares	100
Standard Chartered Nominees Zimbabwe (Private) Limited	Nominee Services	Zimbabwe	\$2.00 Ordinary shares	100

1 The Group has determined that these undertakings are excluded from being consolidated into the Groups accounts, and do not meet the definition of a Subsidiary under IFRS. See notes 31 and 32 for the consolidation policy and disclosure of the undertaking.

2 No share capital by virtue of being a trust

3 Limited liability company

4 The Group has determined the principal place of operation to be Ireland

5 The Group has determined the principal place of operation to be United Kingdom

6 The Group has determined the principal place of operation to be Hong Kong

7 Company is exempt from the requirements of the companies Act relating to the audit of individual accounts by virtue of \$479A

8 Company numbers of the subsidiaries taking an audit exemption are SC Transport Leasing 1 LTD 06787116, SC Transport Leasing 2 Limited 06787090 and Standard Chartered Leasing (UK) Limited 05513184

9 Directly held related undertaking

### Joint ventures

Name and registered address	Activity	Place of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Tricor WP Corporate Services Pte Ltd, 80 Robinson Road #02-00, 068898, Singapore				
Olea Global Pte. Ltd.	Provision of trade finance products and services	Singapore	\$ Ordinary shares	50.0
			\$ Preference shares	100

## 40. Related undertakings of the Group continued

### Associates

				Proportion of shares held (%)
Name and registered address	Activity	Place of Incorporation	Description of shares	
The following company has the address of 41 Luke Street, London, EC2A 4DP , United Kingdom				
Fintech for International Development Ltd	Financial intermediation	United Kingdom	\$0.0001 Ordinary-A	44.4
The following company has the address of Bohai Bank Building, No.218 Hai He Dong Lu, Hedong District, Tianjin, China, 300012, China				
China Bohai Bank Co., Ltd.	General commercial banking businesses	China	CNY1.00 Ordinary shares	16.2
The following company has the address of 17/F, 100, Gongpyeong-dong, Jongno-gu, Seoul, Korea, Republic of				
Ascenta IV	Investment making	Korea, Republic of	KRW1.00 Partnership Interest	39.1
The following company has the address of 1 Raffles Quay, #23-01, One Raffles Quay, 048583, Singapore				
Clifford Capital Holdings Pte. Ltd.	Investment Holding Company	Singapore	\$1.00 Ordinary shares	9.9
The following company has the address of 10 Marina Boulevard #08-08, Marina Bay, Financial Centre, 018983, Singapore				
Verified Impact Exchange Holdings Pte. Ltd	Exchange offering liquidity of trade	Singapore	SGD Ordinary shares	15.0
			\$ Redeemable Convertible Preference shares	28.5
The following company has the address of Victoria House, State House Avenue, Victoria, MAHE, Seychelles				
Seychelles International Mercantile Banking Corporation Limited.	Commercial Bank	Seychelles	SCR1,000.00 Ordinary shares	22.0
The following company has the address of Avenue de Tivoli 2, 1007, Lausanne, Switzerland				
Metaco SA	Integrated infrastructure solutions	Switzerland	CHF 0.01 Preference A Shares	29.5

## 40. Related undertakings of the Group continued

### Significant investment holdings and other related undertakings

				Proportion of shares held (%)
Name and registered address	Activity	Place of Incorporation	Description of shares	
The following company has the address of 1 Bartholomew Lane, London, EC2N 2AX, United Kingdom				
Corrasi Covered Bonds (LM) Limited	Liquidation member (Bond holders)	United Kingdom	£1.00 Ordinary	20.0
The following company has the address of Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman , KY1-9005, Cayman Islands				
ATSC Cayman Holdco Limited	Investment holding	Cayman Islands	\$0.01 Ordinary-A shares	5.2
			\$0.01 Ordinary-B shares	100
The following company has the address of 3, Floor 1, No.1, Shiner Wuxingcai yuan, West Er Huan Rd, , Xi Shan District, Kunming, Yunnan Province, PRC , China				
Yunnan Golden Shiner Property Development Co., Ltd.	Real Estate Developers	China	CNY1.00 Ordinary shares	37.5
The following companies have the address of Unit 605-08, 6/F Wing On Centre, 111 Connaught Road, Central, Sheung Wan, Hong Kong				
Actis Temple Stay Holdings (HK) Limited	Investment holding	Hong Kong	\$ Class A Ordinary shares	39.6
			\$ Class B Ordinary shares	39.6
Actis Rivendell Holdings (HK) Limited	Investment holding	Hong Kong	\$ Class A Ordinary shares	39.6
			\$ Class B Ordinary shares	39.6
The following company has the address of 1221 A, Devika Tower, 12th Floor, , 6 Nehru Place, New Delhi 110019, New Delhi, 110019, India				
Mikado Realtors Private Limited	Other business activities	India	INR10.00 Ordinary shares	26.0
The following company has the address of 4thFloor, 274, Chitalia House, Dr. Cawasji Hormusji Road, Dhobi Talao, Mumbai City, Maharashtra, India 400 002, Mumbai, 400 002, India				
Industrial Minerals and Chemical Co. Pvt. Ltd	Minerals and Chemical	India	INR100.00 Ordinary shares	26.0
The following company has the address of Deloitte Anjin Korea, 5F., One IFC, 23, Yoido-dong, Youngdeungpo-gu, Seoul, Korea, Republic of				
Ascenta III	Investment making	Korea	KRW Class B Equity Interest	31.0
The following company has the address of 3 Jalan Pisang, c/o Watiga Trust Ltd, 199070 Singapore				
SCIAIGF Liquidating Trust <sup>1</sup>	Investment Holding Company	Singapore	Interest in trust	43.9
The following company has the address of 49, Sungei Kadut Avenue, #03-01 S729673, Singapore				
Omni Centre Pte. Ltd.	Real Estate Owners & Developers	Singapore	SGD Redeemable Convertible Preference shares	99.9
The following company has the address of 251 Little Falls Drive, Wilmington, New Castle DE 19808, United States				
Paxata, Inc.	Data Analytics	United States	US\$0.0001 Series C2 Preferred Stock	40.7
			US\$0.0001 Series C3 Preferred Stock	8.91

## 40. Related undertakings of the Group continued

### In liquidation

#### Subsidiary Undertakings

Name and registered address	Activity	Place of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of "C/O Teneo Restructuring Limited 156 Great Charles Street Queensway Birmingham West Midlands B3 3HN"				
Standard Chartered Masterbrand Licensing Limited	To manage intellectual property for Group	United Kingdom	\$1.00 Ordinary Shares	100
The following companies have the address of Bucktrout House, Gategny Esplanade, St Peter Port, GY1 3HQ, Guernsey				
Birdsong Limited	Fiduciary Services	Guernsey	£1.00 Ordinary shares	100
Nominees One Limited	Fiduciary Services	Guernsey	£1.00 Ordinary shares	100
Nominees Two Limited	Fiduciary Services	Guernsey	£1.00 Ordinary shares	100
Songbird Limited	Fiduciary Services	Guernsey	£1.00 Ordinary shares	100
Standard Chartered Secretaries (Guernsey) Limited	Fiduciary Services	Guernsey	£1.00 Ordinary shares	100
Standard Chartered Trust (Guernsey) Limited	Fiduciary Services	Guernsey	£1.00 Ordinary shares	100
The following company has the address of 8/Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong				
Leopard Hong Kong Limited	Corporate Finance & Advisory Services	Hong Kong	\$ Ordinary shares	100
The following company has the address of 30 Rue Schrobelgen, 2526, Luxembourg				
Standard Chartered Financial Services (Luxembourg) S.A.	Banking services	Luxembourg	€25.00 Ordinary shares	100
The following company has the address of Jiron Huascar 2055, Jesus Maria, Lima 15072, Peru				
Banco Standard Chartered en Liquidacion	Financial counselling services	Peru	\$75.133 Ordinary shares	100
The following company has the address of Luis Alberto de Herrera 1248, Torre II, Piso 11, Esc. 1111, Uruguay				
Standard Chartered Uruguay Representacion S.A.	Leasing Business	Uruguay	UYU1.00 Ordinary shares	100
The following company has the address of C/O Teneo Financial Advisory Limited, 156 Great Charles Street, Queensway, Birmingham, West Midlands, B3 3HN, United Kingdom				
Standard Chartered Leasing (UK) 2 Limited	Investment Holding Entity	United Kingdom	\$1.00 Ordinary shares	100
The following company has the address of C/o WALKERS CORPORATE LIMITED, 190 Elgin Avenue George Town Grand Cayman KY1-9008, Cayman Islands				
Sirat Holdings Limited	Leasing Business	Cayman Islands	\$0.01 Ordinary shares	100
The following company has the address of TMF Trust Labuan Limited, Brumby Centre, Lot 42,, Jalan Muhibbah, 87000 Labuan F.T., Malaysia				
Pembroke Leasing (Labuan) 3 Berhad	Investment Holding Company	Malaysia	\$ Ordinary shares	100

## 40. Related undertakings of the Group continued

### In liquidation continued

#### Subsidiary Undertakings continued

Name and registered address	Activity	Place of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of c/o Ocorian Corporate Services (Mauritius) Ltd, 6th Floor, Tower A, 1 Cybercity, Ebene, 72201, Mauritius				
Standard Chartered Financial Holdings	Investment Holding Company	Mauritius	\$1.00 Ordinary shares	100
The following company has the address of 142, Ahmadu Bello Way, Victoria Island, Lagos, 101241, Nigeria				
Cherroots Nigeria Limited	Investment Holding Company	Nigeria	NGN1.00 Ordinary Shares	100

### Liquidated/dissolved/sold

#### Subsidiary Undertakings

				Proportion of shares held (%)
Name and registered address	Activity	Place of Incorporation	Description of shares	
The following companies have the address of Unit 605-08, 6/F Wing On Centre, 111 Connaught Road, Central, Sheung Wan, Hong Kong				
Actis Jack Holdings (HK) Limited	Investment holding	Hong Kong	\$ Class A Ordinary shares	39.6
			\$ Class B Ordinary shares	39.6
Actis Young City Holdings (HK) Limited	Investment holding	Hong Kong	\$ Class A Ordinary shares	39.6
			\$ Class B Ordinary shares	39.6
The following company has the address of 2 More London Riverside, London SE1 2JT, United Kingdom				
Bricks (M) LP1	Investment Holding Company	United Kingdom	Limited Partnership interest	100
The following company has the address of 26F, Fortune Financial Centre, #5, Dong San Huan Zhong Lu, Chaoyang District, Beijing, P. R. China.				
Standard Chartered Corporate Advisory Co. Ltd	Corporate Finance & Advisory Services	China	\$1.00 Ordinary shares	100
The following company has the address of 13/F Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong				
Standard Chartered Private Equity Managers (Hong Kong) Limited	Corporate Finance & Advisory Services	Hong Kong	HKD Ordinary shares	100
The following company has the address of Vistra Corporate Services Centre, Ground Floor, NPF Building, Beach Road, Apia, Samoa				
Standard Chartered Nominees (Western Samoa) Limited	Nominee Services	Samoa	\$1.00 Ordinary shares	100
The following company has the address of “C/O Teneo Restructuring Limited 156 Great Charles Street Queensway Birmingham West Midlands B3 3HN”				
Compass Estates Limited	Investment holding	United Kingdom	£1.00 Ordinary shares	100
The following company has the address of 32 Molesworth Street, Dublin 2, D02Y512, Ireland				
Inishlynch Leasing Limited	Leasing Business	Ireland	€1.00 Ordinary shares	100



## 40. Related undertakings of the Group continued

### Liquidated/dissolved/sold continued

### Subsidiary Undertakings continued

Name and registered address	Activity	Place of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Menara Standard Chartered, 3rd Floor, Jl. Prof.Dr. Satrio no. 164, Setiabudi, Jarkarta Selatan, Indonesia				
PT Solusi Cakra Indonesia (dalam likuidasi)	Banking & Financial Services	Indonesia	IDR23,809,600.00 Ordinary shares	99.0
The following company has the address of No. 157 – 157 A, Jakarta Barat, 11130, Indonesia.				
PT. Price Solutions Indonesia (dalam likuidasi)	Direct Sales/Collection Services	Indonesia	\$100.00 Ordinary shares	100
The following company has the address of Standard Chartered@Chiromo, Number 48, Westlands Road, P. O. Box 30003 - 00100, Nairobi, Kenya				
Standard Chartered Management Services Limited	Investment Management	Kenya	KES20.00 Ordinary shares	100
The following company has the address of M6-2701, West 27Fl, Suha-dong, 26, Eulji-ro 5-gil, Jung-gu, Seoul, Korea, Republic of				
Resolution Alliance Korea Ltd	Investment Management	Korea, Republic of	KRW5,000.00 Ordinary shares	100
The following company has the address of 8 Marina Boulevard, Level 27, Marina Bay Financial Centre, Tower 1, 018981, Singapore				
Standard Chartered (2000) Limited	Others	Singapore	SGD1.00 Ordinary shares	100
The following company has the address of C/o IQ EQ Corporate Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, 11324, Mauritius				
FAI Limited	Investment Advisory services	Mauritius	\$1.00 Ordinary shares	76.5
The following company has the address of Standard Chartered Bank France, 32 Rue de Monceau, 75008, Paris, France				
Pembroke Lease France SAS	Leasing Business	France	€1.00 Ordinary shares	100
The following company has the address of Level 26, Equatorial Plaza, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia				
Popular Ambience Sdn Bhd	To undertake investments in non-performing loans	Malaysia	RM Ordinary shares	100
The following company has the address of 8/Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong				
Leopard Hong Kong Limited	Holding Company	Hong Kong	\$ Ordinary shares	100
The following company has the address of Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor, Malaysia				
House Network SDN BHD	Administration of shared ATM network	Malaysia	RM1.00 Ordinary shares	25.0