

# **Standard Chartered Bank**

Reference Number ZC18

## **Half Year Report**

**30 June 2023**

Incorporated in England with limited liability by Royal Charter 1853  
Principal Office: 1 Basinghall Avenue, London, EC2V 5DD, England

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The following are company designations as described in the document:

**Standard Chartered Bank Group (Group)** – being Standard Chartered Bank and its subsidiaries

**Standard Chartered PLC Group (PLC Group)** – being the ultimate parent and its subsidiaries

**Standard Chartered Bank (Company)** – being the standalone Bank legal entity

**Standard Chartered PLC (PLC)** – being the standalone legal entity of the ultimate parent

Unless another currency is specified, the word 'dollar' or symbol '\$' in this document means US dollar and the word 'cent' or symbol 'c' means one-hundredth of one US dollar. All disclosures in the Strategic Report Directors' Report and the Risk Review and Capital Review are unaudited unless otherwise stated. Unless the context requires, within this document, 'China' refers to the People's Republic of China and, for the purposes of this document only, excludes Hong Kong Special Administrative Region (Hong Kong), Macau Special Administrative Region (Macau) and Taiwan. 'Korea' or 'South Korea' refers to the Republic of Korea. Greater China & North Asia (GCNA) includes Mainland China, Hong Kong, Japan, Korea, Macau and Taiwan; ASEAN & South Asia (ASA) includes Australia, Bangladesh, Brunei, Cambodia, India, Indonesia, Laos, Malaysia, Myanmar, Nepal, Philippines, Singapore, Sri Lanka, Thailand and Vietnam; and Africa & Middle East (AME) includes Angola, Bahrain, Botswana, Cameroon, Cote d'Ivoire, Egypt, The Gambia, Ghana, Iraq, Jordan, Kenya, Lebanon, Mauritius, Nigeria, Oman, Pakistan, Qatar, Saudi Arabia, Sierra Leone, South Africa, Tanzania, the United Arab Emirates (UAE), Uganda, Zambia and Zimbabwe and Europe & Americas (EA) includes Argentina, Brazil, Colombia, Falkland Islands, France, Germany, Ireland, Jersey, Poland, Sweden, Turkey, the UK and the US.

Within the tables in this report, blank spaces indicate that the number is not disclosed, dashes indicate that the number is zero and nm stands for not meaningful.

Standard Chartered Bank is incorporated in England and Wales with limited liability and is headquartered in London. The Group's head office provides guidance on governance and regulatory standards.

# Financial review

## Summary of financial performance

	1H'23 \$million	1H'22 <sup>1</sup> \$million	Change %
Net Interest income	2,242	2,125	6
Other income	3,862	2,897	33
<b>Underlying operating income</b>	<b>6,104</b>	<b>5,022</b>	<b>22</b>
Other underlying expenses	(3,429)	(3,160)	(8)
UK bank levy	(3)	5	nm <sup>3</sup>
<b>Underlying operating expenses</b>	<b>(3,432)</b>	<b>(3,155)</b>	<b>(9)</b>
<b>Underlying operating profit before impairment and taxation</b>	<b>2,672</b>	<b>1,867</b>	<b>43</b>
Credit impairment	14	170	(92)
Other impairment	(12)	(1)	nm <sup>3</sup>
Loss from associates and joint ventures	(9)	(4)	nm <sup>3</sup>
<b>Underlying profit before taxation</b>	<b>2,665</b>	<b>2,032</b>	<b>31</b>
Restructuring	8	(11)	nm <sup>3</sup>
DVA	(30)	97	nm <sup>3</sup>
<b>Statutory profit before taxation</b>	<b>2,643</b>	<b>2,118</b>	<b>25</b>
Taxation	(667)	(546)	(22)
<b>Profit for the period</b>	<b>1,976</b>	<b>1,572</b>	<b>26</b>
<b>Underlying return on tangible equity (%)<sup>2</sup></b>	<b>15.5</b>	<b>10.9</b>	<b>456bps</b>

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA.

No change to statutory performance

2 Change is the basis points (bps) difference between the two periods rather than the percentage change

3 Not meaningful

## Summary of Statutory financial performance

	1H'23 \$million	1H'22 \$million	Change %
Net Interest income	2,279	2,166	5
Other income	3,892	3,055	27
<b>Statutory operating income</b>	<b>6,171</b>	<b>5,221</b>	<b>18</b>
Statutory operating expenses	(3,527)	(3,256)	(8)
<b>Statutory operating profit before impairment and taxation</b>	<b>2,644</b>	<b>1,965</b>	<b>35</b>
Credit impairment	22	167	nm <sup>2</sup>
Goodwill & Other impairment	(14)	(10)	(40)
Loss from associates and joint ventures	(9)	(4)	nm <sup>2</sup>
<b>Statutory profit before taxation</b>	<b>2,643</b>	<b>2,118</b>	<b>25</b>
Taxation	(667)	(546)	(22)
<b>Profit for the period</b>	<b>1,976</b>	<b>1,572</b>	<b>26</b>
<b>Statutory return on tangible equity (%)<sup>1</sup></b>	<b>15.3</b>	<b>11.7</b>	<b>362bps</b>

1 Change is the basis points (bps) difference between the two periods rather than the percentage change

2 Not meaningful

**The commentaries below are on underlying performance basis unless otherwise stated**

**Operating income** increased 22 per cent and was driven by growth in both net interest income and other income, on the back of higher net interest margins and strong FX trading income performance respectively.

**Net interest income** increased 6 per cent, driven by higher net interest margins, partially offset by structural hedge losses and increased trading book funding charge. Net interest margin averaged 162 basis points and is 30 basis points higher year-on-year benefiting from rising interest rates.

**Other income** increased 33 per cent, due to gain on disposal of a subsidiary, stronger FX trading performance and higher income from credit trading, partly offset by lower wealth management income.

**Operating expenses** excluding the UK bank levy are up 8 per cent primarily reflecting the impact of a high-inflation environment, including salary increases, headcount growth, additional investment in transformational digital capabilities and post-covid normalisation of cost lines. The cost-to-income ratio (excluding the UK bank levy) decreased 7 percentage points to 56 per cent, with positive jaws of 14 per cent.

**Credit impairment** is a net credit of \$14million. This is driven primarily by significant releases in Stage 3 from corporate clients, partly offset by client downgrades in a few key markets.

**Other impairment** is a net charge of \$12m and primarily relates to software.

The Group's **underlying profit before taxation** no longer includes movement in the debit valuation adjustment (DVA), the markets and businesses it is exiting in Africa and Middle East (AME) and the Aviation Finance business and now reports these within restructuring and other items. **Restructuring** is a gain of \$8 million primarily reflecting operating profit from the AME market exits, while DVA is a charge of \$30 million due to tightening of credit spreads versus widening in the same period of 2022.

**Taxation** of \$667 million for the period represents an effective tax rate of 25 per cent and is slightly below effective tax rate of 26 per cent in comparable period of prior year.

Underlying **Return on tangible equity** increased by 456 basis points to 15.5 per cent driven by higher profits.

**Underlying profit/(loss) before tax by client segment and geographic region**

	1H'23 \$million	1H'22 <sup>1</sup> \$million	Change %
Corporate, Commercial & Institutional Banking	2,142	1,608	33
Consumer, Private & Business Banking	718	422	70
Ventures	(115)	(110)	(5)
Central & other items (segment)	(80)	112	nm <sup>2</sup>
<b>Underlying profit before taxation</b>	<b>2,665</b>	<b>2,032</b>	<b>31</b>
Asia	1,361	1,093	25
Africa & Middle East	615	534	15
Europe & Americas	144	787	(82)
Central & other items (region)	545	(382)	243
<b>Underlying profit before taxation</b>	<b>2,665</b>	<b>2,032</b>	<b>31</b>

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA.  
No change to statutory performance

2 Not meaningful

**Net Interest Margin**

	1H'23 \$million	1H'22 \$million	Change <sup>1</sup> %
Adjusted net interest income <sup>2</sup>	2,862	2,228	28
Average interest-earning assets	356,954	340,621	5
Average interest-bearing liabilities	321,172	316,674	1
Gross yield (%) <sup>3</sup>	4.82	2.10	272
Rate paid (%) <sup>3</sup>	3.56	0.83	273
Net interest margin (%) <sup>3,4</sup>	1.62	1.32	30

1 Variance is better/(worse) other than assets and liabilities which is increase/(decrease)

2 Adjusted net interest income is statutory net interest income less funding costs for the trading book and financial guarantee fees on interest earning assets

3 Change in the basis points (bps) difference between two periods rather than the percentage change

4 Net interest margin is calculated as Adjusted net interest income divided by average interest-earning assets, annualised

## Financial review continued

Adjusted net interest income was up 28 per cent driven by higher net interest margin which increased 30 basis point year-on-year, reflecting the impact of higher interest rates.

Average interest-earning assets increased 5 per cent driven by higher treasury assets, partially offset by lower lending assets on the back of optimisation initiatives. Gross yields increased 272 basis points compared to the average in same period of 2022, reflecting the impact of increase of key interest rates.

Average interest-bearing liabilities increased 1 per cent driven by growth in retail term deposits. The rate paid on liabilities increased by 273 basis points year-on-year reflecting impact of interest rate rises in key markets.

### Credit quality

Credit impairment was a net release of \$14 million, reflecting the impact of significant releases and repayments in stage 3 from few clients, partly offset by client downgrades in Pakistan and Nigeria.

### Balance Sheet

	30.06.23 \$million	31.12.22 \$million	Change <sup>1</sup> %
<b>Gross loans and advances to customers<sup>2</sup></b>	<b>157,528</b>	<b>162,158</b>	<b>(3)</b>
Of which stage 1	144,911	148,213	(2)
Of which stage 2	6,821	7,743	(12)
Of which stage 3	5,796	6,202	(7)
<b>Expected credit loss provisions</b>	<b>(3,853)</b>	<b>(4,032)</b>	<b>(4)</b>
Of which stage 1	(183)	(268)	(32)
Of which stage 2	(221)	(187)	18
Of which stage 3	(3,449)	(3,577)	(4)
<b>Net loans and advances to customers</b>	<b>153,675</b>	<b>158,126</b>	<b>(3)</b>
Of which stage 1	144,728	147,945	(2)
Of which stage 2	6,600	7,556	(13)
Of which stage 3	2,347	2,625	(11)
Cover ratio of stage 3 before/after collateral (%) <sup>3</sup>	60/76	58/74	2/2
Credit grade 12 accounts (\$million)	1,245	1,282	(3)
Early alerts (\$million)	2,578	3,143	(18)
Investment grade corporate exposures (%) <sup>3</sup>	76	79	(3)

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

2 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of \$10,014 million at 30 June 2023 (31 December 2022: \$15,586 million)

3 Change is the percentage points difference between the two points rather than the percentage change

## Restructuring, goodwill impairment and other items

	1H'23 \$million				1H'22 <sup>1</sup> \$million			
	Restructuring	Goodwill and Other Impairment	DVA	Other items	Restructuring	Goodwill and Other Impairment	DVA	Other items
Operating income	97	–	(30)	–	102	–	97	–
Operating expenses	(95)	–	–	–	(101)	–	–	–
Credit impairment	8	–	–	–	(3)	–	–	–
Other impairment	(2)	–	–	–	(9)	–	–	–
<b>Profit/(loss) before taxation</b>	<b>8</b>	<b>–</b>	<b>(30)</b>	<b>–</b>	<b>(11)</b>	<b>–</b>	<b>97</b>	<b>–</b>

1 Restructuring, DVA and other items for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA from underlying operating Performance

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.

The PLC Group announced it is exiting onshore operations in seven markets in the AME region and will focus on the CCIB segment in two more "exit markets". Additionally, the PLC Group announced that it intends to explore alternatives for the future ownership of its Aviation Finance business. As a result of these announcements, effective 1st January 2023, the Group will no longer include the exit markets and the Aviation Finance business within the Group's underlying operating profit before taxation but will report them within restructuring. The Group is also reclassifying movements in the DVA out of its underlying operating profit before taxation and into other items.

To aid comparisons with prior periods the Group has removed the exit markets, Aviation Finance business and DVA from its underlying operating profit before taxation for 2022.

Restructuring gain of \$8 million primarily relate to the exits in AME. DVA is a charge of \$30 million due to tightening of credit spreads.

## Balance sheet and liquidity

	30.06.23 \$million	31.12.22 \$million	Change <sup>1</sup> %
<b>Assets</b>			
Loans and advances to banks	24,240	27,383	(11)
Loans and advances to customers	153,675	158,126	(3)
Other assets	383,188	365,225	5
<b>Total assets</b>	<b>561,103</b>	<b>550,734</b>	<b>2</b>
<b>Liabilities</b>			
Deposits by banks	23,333	24,150	(3)
Customer accounts	252,376	243,075	4
Other liabilities	252,129	249,366	1
<b>Total liabilities</b>	<b>527,838</b>	<b>516,591</b>	<b>2</b>
<b>Equity</b>	<b>33,265</b>	<b>34,143</b>	<b>(3)</b>
<b>Total equity and liabilities</b>	<b>561,103</b>	<b>550,734</b>	<b>2</b>
Advances-to-deposits ratio (%) <sup>2</sup>	46.8%	50.4%	

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

2 The Group now excludes \$24,749 million held with central banks (31.12.22: \$20,798 million) that has been confirmed as repayable at the point of stress. Advances exclude repurchase agreements and other similar secured lending of \$10,014 million and include loans and advances to customers held at fair value through profit or loss of \$3,054 million. Deposits include customer accounts held at fair value through profit or loss of \$8,169 million

## Financial review continued

The Group's balance sheet is strong, highly liquid and diversified.

Loans and advances to customers decreased 3 per cent since December 2022 to \$154 billion driven mainly by risk-weighted asset optimisation actions undertaken by CCIB.

Customer accounts of \$252 billion increased by 4 per cent since December 2022 driven by higher cash volumes in transaction banking and increase in retail term deposits, partly offset by drop in retail current and savings accounts.

Other assets increased 5 percent since December 2022, driven by surplus liquidity placed with central banks.

Other liabilities were 1 percent higher since December 2022, reflecting an increase in financial market balances.

The advances-to-deposits ratio reduced to 47 per cent from 50 per cent reflecting a reduction in loans and advances to customers excluding reverse repurchase agreements as a result of risk-weighted asset optimisation actions.

### Capital base and ratios

	30.06.23 \$million	31.12.22 (Restated) <sup>3</sup> \$million	Change <sup>1</sup> %
CET1 capital	21,698	21,746	–
Additional Tier 1 capital (AT1)	5,407	5,403	–
Tier 1 capital	27,105	27,149	–
Tier 2 capital	11,751	12,439	(6)
Total capital	38,856	39,588	(2)
CET1 capital ratio (%) <sup>2</sup>	12.6%	12.7%	(0.1)
Total capital ratio (%) <sup>2</sup>	22.6%	23.1%	(0.5)
Leverage ratio (%) <sup>2</sup>	5.0%	4.8%	0.2

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

2 Change is percentage points difference between two points rather than percentage change

3 The 2022 comparatives have been restated to correctly reflect credit risk mitigation

Standard Chartered Bank is authorised by the PRA and regulated by the Financial Conduct Authority and the PRA as Standard Chartered Bank.

SC Bank's CET1 ratio has decreased by six basis points from 12.7% per cent at FY 2022 to 12.6%. RWA increased by USD0.5bn, or 0.3 per cent from 31 December 2022 to USD172.2bn. CET1 capital for the period decreased by USD0.05bn as profits of USD2.0bn, movement in other comprehensive income of USD0.2bn and a decrease in regulatory deductions of USD0.1bn, were offset by distributions (including ordinary and AT1) of USD1.9bn and FX translation impact of USD0.4bn

RWA increased by USD0.5bn, or 0.3 per cent to USD172.2bn driven by increases of USD3.4bn in Market Risk RWA and USD0.6bn in Operational Risk RWA, partly offset by decrease of USD3.5bn in Credit Risk RWA.

SC Bank's leverage ratio increased from 4.8 per cent at FY 2022 to 5.0 per cent as Leverage exposure decreased by USD14.6bn and a non-material decrease in Tier 1 capital (less than USD0.1bn).

# Underlying versus statutory results reconciliations

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

## Operating income by client segment

	1H'23				
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items \$million	Total \$million
Underlying operating income	4,164	1,723	62	155	6,104
Restructuring	49	23	–	25	97
DVA	(30)	–	–	–	(30)
<b>Statutory operating income</b>	<b>4,183</b>	<b>1,746</b>	<b>62</b>	<b>180</b>	<b>6,171</b>

  

	1H'22 <sup>1</sup>				
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items \$million	Total \$million
Underlying operating income	3,330	1,349	–	343	5,022
Restructuring	58	24	–	20	102
DVA	97	–	–	–	97
<b>Statutory operating income</b>	<b>3,485</b>	<b>1,373</b>	<b>–</b>	<b>363</b>	<b>5,221</b>

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA.  
No change to statutory performance

## Operating income by region

	1H'23				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
Underlying operating income	2,729	1,411	1,009	955	6,104
Restructuring	2	91	–	4	97
DVA	(12)	(3)	(14)	(1)	(30)
<b>Statutory operating income</b>	<b>2,719</b>	<b>1,499</b>	<b>995</b>	<b>958</b>	<b>6,171</b>

  

	1H'22 <sup>1</sup>				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
Underlying operating income	2,277	1,189	1,496	60	5,022
Restructuring	4	82	(1)	17	102
DVA <sup>1</sup>	21	15	61	–	97
<b>Statutory operating income</b>	<b>2,302</b>	<b>1,286</b>	<b>1,556</b>	<b>77</b>	<b>5,221</b>

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA.  
No change to statutory performance



## Underlying versus statutory results reconciliations continued

### Profit before taxation (PBT)

1H'23						
	Underlying \$million	Provision for regulatory matters \$million	Restructuring \$million	DVA \$million	Other items \$million	Statutory \$million
Operating income	6,104	–	97	(30)	–	6,171
Operating expenses	(3,432)	–	(95)	–	–	(3,527)
<b>Operating profit/(loss) before impairment losses and taxation</b>	<b>2,672</b>	<b>–</b>	<b>2</b>	<b>(30)</b>	<b>–</b>	<b>2,644</b>
Credit impairment	14	–	8	–	–	22
Other impairment	(12)	–	(2)	–	–	(14)
Loss from associates and joint ventures	(9)	–	–	–	–	(9)
<b>Profit/(loss) before taxation</b>	<b>2,665</b>	<b>–</b>	<b>8</b>	<b>(30)</b>	<b>–</b>	<b>2,643</b>
1H'22 <sup>1</sup>						
	Underlying \$million	Provision for regulatory matters \$million	Restructuring \$million	DVA \$million	Other items \$million	Statutory \$million
Operating income	5,022	–	102	97	–	5,221
Operating expenses	(3,155)	–	(101)	–	–	(3,256)
Operating profit before impairment losses and taxation	1,867	–	1	97	–	1,965
Credit impairment	170	–	(3)	–	–	167
Other impairment	(1)	–	(9)	–	–	(10)
Loss from associates and joint ventures	(4)	–	–	–	–	(4)
<b>Profit/(loss) before taxation</b>	<b>2,032</b>	<b>–</b>	<b>(11)</b>	<b>97</b>	<b>–</b>	<b>2,118</b>

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA.  
No change to statutory performance

### Profit before taxation (PBT) by client segment

1H'23					
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items \$million	Total \$million
<b>Operating income</b>	<b>4,164</b>	<b>1,723</b>	<b>62</b>	<b>155</b>	<b>6,104</b>
External	3,342	1,120	62	1,580	6,104
Inter-segment	822	603	–	(1,425)	–
<b>Operating expenses</b>	<b>(2,001)</b>	<b>(992)</b>	<b>(160)</b>	<b>(279)</b>	<b>(3,432)</b>
<b>Operating profit/(loss) before impairment losses and taxation</b>	<b>2,163</b>	<b>731</b>	<b>(98)</b>	<b>(124)</b>	<b>2,672</b>
Credit impairment	(1)	(12)	(4)	31	14
Other impairment	(20)	(1)	–	9	(12)
(Loss)/profit from associates and joint ventures	–	–	(13)	4	(9)
<b>Underlying profit/(loss) before taxation</b>	<b>2,142</b>	<b>718</b>	<b>(115)</b>	<b>(80)</b>	<b>2,665</b>
Restructuring	–	(9)	–	17	8
DVA	(30)	–	–	–	(30)
<b>Statutory profit/(loss) before taxation</b>	<b>2,112</b>	<b>709</b>	<b>(115)</b>	<b>(63)</b>	<b>2,643</b>

## Underlying versus statutory results reconciliations continued

	1H'22 <sup>1</sup>				
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items \$million	Total \$million
Operating income	3,330	1,349	–	343	5,022
External	3,198	1,173	–	651	5,022
Inter-segment	132	176	–	(308)	–
Operating expenses	(1,854)	(954)	(103)	(244)	(3,155)
Operating profit/(loss) before impairment losses and taxation	1,476	395	(103)	99	1,867
Credit impairment	131	28	–	11	170
Other impairment	1	(1)	–	(1)	(1)
(Loss)/profit from associates and joint ventures	–	–	(7)	3	(4)
Underlying profit/(loss) before taxation	1,608	422	(110)	112	2,032
Restructuring	3	(10)	(2)	(2)	(11)
DVA	97	–	–	–	97
Statutory profit/(loss) before taxation	1,708	412	(112)	110	2,118

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA.  
No change to statutory performance

### Profit before taxation (PBT) by region

	1H'23				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
Operating income	2,729	1,411	1,009	955	6,104
Operating expenses	(1,386)	(804)	(857)	(385)	(3,432)
Operating profit before impairment losses and taxation	1,343	607	152	570	2,672
Credit impairment	19	9	(4)	(10)	14
Other impairment	(1)	(1)	9	(19)	(12)
(Loss)/profit from associates and joint ventures	–	–	(13)	4	(9)
Underlying profit before taxation	1,361	615	144	545	2,665
Restructuring	(10)	53	(3)	(32)	8
DVA	(12)	(3)	(14)	(1)	(30)
Statutory profit before taxation	1,339	665	127	512	2,643

	1H'22 <sup>1</sup>				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
Operating income	2,277	1,189	1,496	60	5,022
Operating expenses	(1,210)	(754)	(750)	(441)	(3,155)
Operating profit/(loss) before impairment losses and taxation	1,067	435	746	(381)	1,867
Credit impairment	26	100	40	4	170
Other impairment	–	(1)	1	(1)	(1)
Loss from associates and joint ventures	–	–	–	(4)	(4)
Underlying profit/(loss) before taxation	1,093	534	787	(382)	2,032
Restructuring	(8)	29	(16)	(16)	(11)
DVA	21	15	61	–	97
Statutory profit/(loss) before taxation	1,106	578	832	(398)	2,118

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA.  
No change to statutory performance

## Underlying versus statutory results reconciliations continued

### Return on tangible equity (RoTE)

	1H'23 \$million	1H'22' \$million
Average parent company Shareholders' Equity	28,482	29,282
Less Preference share premium	(1,312)	(1,500)
Less Average intangible assets	(3,991)	(3,774)
<b>Average Ordinary Shareholders' Tangible Equity</b>	<b>23,179</b>	<b>24,008</b>
<b>Profit for the period attributable to equity holders</b>	<b>1,976</b>	<b>1,572</b>
Non-controlling interests	(12)	(12)
Dividend payable on preference shares and AT1 classified as equity	(207)	(170)
<b>Profit for the period attributable to ordinary shareholders</b>	<b>1,757</b>	<b>1,390</b>
<b>Items normalised:</b>		
Restructuring	(8)	11
DVA	30	(97)
Tax on normalised items	(2)	(6)
<b>Underlying profit for the period attributable to ordinary shareholders</b>	<b>1,777</b>	<b>1,298</b>
<b>Underlying Return on Tangible Equity</b>	<b>15.5%</b>	<b>10.9%</b>
<b>Statutory Return on Tangible Equity</b>	<b>15.3%</b>	<b>11.7%</b>

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA.  
No change to statutory performance

	1H'23 %	1H'22 %
<b>Underlying RoTE</b>	<b>15.5</b>	<b>10.9</b>
Restructuring		
Of which: Income	0.8	0.9
Of which: Expenses	(0.8)	(0.9)
Of which: Credit impairment	0.1	(0.0)
Of which: Other impairment	(0.0)	(0.1)
DVA	(0.3)	0.8
Tax on normalised items	0.0	0.1
<b>Statutory RoTE</b>	<b>15.3</b>	<b>11.7</b>

### Net charge-off ratio

	H1'23			H1'22		
	Credit impairment (charge)/ release for the year/period \$million	Net average loans and advances \$million	Net Charge-off Ratio %	Credit impairment (charge)/ release for the year/period \$million	Net average loans and advances \$million	Net Charge-off Ratio %
Stage 1	40	171,915	0.02%	13	160,091	0.01%
Stage 2	(86)	7,182	(1.20)%	97	9,964	0.97%
Stage 3	6	2,432	0.25%	43	2,517	1.71%
<b>Total exposure</b>	<b>(40)</b>	<b>181,529</b>	<b>(0.02)%</b>	<b>153</b>	<b>172,572</b>	<b>0.09%</b>

An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The following are key alternative performance measures used by the Group to assess financial performance and financial position.

## Alternative performance measures

Measure	Definition
<b>Constant currency basis</b>	A performance measure on a constant currency basis (ccy) is presented such that comparative periods are adjusted for the current year's functional currency rate. The following balances are presented on a constant currency basis when described as such: <ul style="list-style-type: none"> <li>• Operating income</li> <li>• Operating expenses</li> <li>• Profit before tax</li> <li>• RWAs or Risk-weighted assets</li> </ul>
<b>Underlying/Normalised</b>	A performance measure is described as underlying/normalised if the statutory result has been adjusted for restructuring and other items representing profits or losses of a capital nature; DVA; amounts consequent to investment transactions driven by strategic intent, excluding amounts consequent to Ventures transactions, as these are considered part of the Group's ordinary course of business; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period, and items which management and investors would ordinarily identify separately when assessing performance period-by-period. Restructuring includes impacts to profit or loss from businesses that have been disclosed as no longer part of the Group's ongoing business, redundancy costs, costs of closure or relocation of business locations, impairments of assets and other costs which are not related to the Group's ongoing business. Restructuring in this context is not the same as a restructuring provision as defined in IAS 37. A reconciliation between underlying/normalised and statutory performance is contained in Note 2 to the financial statements. The following balances and measures are presented on an underlying basis when described as such: <ul style="list-style-type: none"> <li>• Operating income</li> <li>• Operating expense</li> <li>• Profit before tax</li> <li>• Cost-to-income ratio</li> <li>• Jaws</li> <li>• RoTE or Return on tangible equity</li> </ul>
<b>Advances-to-deposits/customer advances-to-deposits (ADR) ratio</b>	The ratio of total loans and advances to customers relative to total customer accounts, excluding approved balances held with central banks, confirmed as repayable at the point of stress. A low advances-to-deposits ratio demonstrates that customer accounts exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.
<b>Cost-to-income ratio</b>	The proportion of total operating expenses to total operating income.
<b>Cover ratio</b>	The ratio of impairment provisions for each stage to the gross loan exposure for each stage.
<b>Cover ratio after collateral/cover ratio including collateral</b>	The ratio of impairment provisions for Stage 3 loans and realisable value of collateral held against these non-performing loan exposures to the gross loan exposure of Stage 3 loans.
<b>Gross yield</b>	Statutory interest income divided by average interest earning assets.
<b>Jaws</b>	The difference between the rates of change in revenue and operating expenses. Positive jaws occurs when the percentage change in revenue is higher than, or less negative than, the corresponding rate for operating expenses.
<b>Loan loss rate</b>	Total credit impairment for loans and advances to customers over average loans and advances to customers.
<b>Net charge-off ratio</b>	The ratio of net credit impairment charge or release to average outstanding net loans and advances.
<b>Net tangible asset value per share</b>	Ratio of net tangible assets (total tangible assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.
<b>Net yield</b>	Gross yield less rate paid.
<b>NIM or Net interest margin</b>	Net interest income adjusted for interest expense incurred on amortised cost liabilities used to fund the Financial Markets business, divided by average interest-earning assets excluding financial assets measured at fair value through profit or loss.
<b>RAR per FTE or Risk adjusted revenue per full-time equivalent</b>	Risk adjusted revenue (RAR) is defined as underlying operating income less underlying impairment over the past 12 months. RAR is then divided by the 12 month rolling average full-time equivalent (FTE) to determine RAR per FTE.
<b>Rate paid</b>	Statutory interest expense adjusted for interest expense incurred on amortised cost liabilities used to fund financial instruments held at fair value through profit or loss, divided by average interest bearing liabilities.
<b>RoE or Return on equity</b>	The ratio of the current year's profit available for distribution to ordinary shareholders to the weighted average ordinary shareholders' equity for the reporting period.
<b>RoTE or Return on ordinary shareholders' tangible equity</b>	The ratio of the current year's profit available for distribution to ordinary shareholders, to the weighted average tangible equity, being ordinary shareholders' equity less the average goodwill and intangible assets for the reporting period. Where a target RoTE is stated, this is based on profit and equity expectations for future periods.
<b>Underlying ROTE</b>	The ratio of the current year's profit for distribution to ordinary shareholders plus fair value on OCI equity movement relating to Ventures segment to the weighted average ordinary shareholders' equity for the reporting period.
<b>TSR or Total shareholder return</b>	The total return of the Group's equity (share price growth and dividends) to investors.

## Risk review and Capital review

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

- **a) Risk review:** Disclosures marked as ‘reviewed’ from the start of Credit Risk section (page 13) to the end of other principal risks in the same section (page 41); and
- **b) Capital review:** Tables marked as ‘reviewed’ from the start of ‘Capital base’ to the end of ‘Total capital’ (page 42).

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# Risk review

## Risk Overview

The Group follows SC PLC Group in terms of identifying and managing our key Risks and Topical and Emerging Risks (TERs). Details on these sections can be found on pages 44 to 48 of the SC PLC Group's 2023 Half Year Report.

## Principal and Integrated Risk Types

Principal risks are risks inherent in our strategy and business model. These are formally defined in our RMF which provides a structure for monitoring and controlling these risks through the Court-approved Risk Appetite. We will not compromise adherence to our Risk Appetite in order to pursue revenue growth or higher returns. The table below provides an overview of the Group's principal and integrated risks and risk appetite statement. In addition to principal risks, the Group has defined a Risk Appetite Statement for Climate Risk.

Principal Risk Types	Risk Appetite Statement
<b>Credit Risk</b>	The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors.
<b>Traded Risk</b>	The Group should control its financial markets and activities to ensure that Traded Risk losses do not cause material damage to the Group's or the PLC Group's franchise.
<b>Treasury Risk</b>	The Group should maintain sufficient capital, liquidity and funding to support its operations, and an interest rate profile ensuring that the reductions in earnings or value from movements in interest rates impacting banking book items does not cause material damage to the Group's franchise. In addition, the Group should ensure its Pension plans are adequately funded.
<b>Operational and Technology Risk</b>	The Group aims to control Operational and Technology Risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's or the PLC Group's franchise.
<b>Information and Cyber Security Risk (ICS)</b>	The Group has zero appetite for very High ICS residual risks and low appetite for High ICS residual risks which result in loss of services, data or funds. The Group will implement an effective ICS control environment and proactively identify and respond to emerging ICS threats in order to limit ICS incidents impacting the Group's franchise.
<b>Compliance Risk</b>	The Group has no appetite for breaches in laws and regulations related to regulatory non-compliance; recognising that whilst incidents are unwanted, they cannot be entirely avoided.
<b>Financial Crime Risk</b>	The Group has no appetite for breaches in laws and regulations related to financial crime, recognising that whilst incidents are unwanted, they cannot be entirely avoided.
<b>Model Risk</b>	The Group has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models, whilst accepting model uncertainty.
<b>Reputational and Sustainability Risk</b>	The Group aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight. This includes a potential failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm.
Integrated Risk Types	Risk Appetite Statement
<b>Climate Risk</b>	The Group aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to our own activities and those related to the financing of clients, in alignment with the Paris Agreement.
<b>Digital Asset Risk</b>	This IRT is currently supported by Risk Appetite metrics embedded within relevant Principal Risk Types.
<b>Third Party Risk</b>	This IRT is currently supported by Risk Appetite metrics embedded within relevant Principal Risk Types.

## Credit Risk (reviewed)

### Basis of preparation

Unless otherwise stated the balance sheet and income statement information presented within this section is based on the Group's management view. This 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. This view reflects how the client segments and regions are managed internally.

Loans and advances to customers and banks held at amortised cost in this Risk profile section include reverse repurchase agreement balances held at amortised cost, per Note 13 Reverse repurchase and repurchase agreements including other similar secured lending and borrowing.

### Credit Risk overview

Credit Risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the Group. Credit exposures arise from both the banking and trading books.

### Maximum exposure to Credit Risk (reviewed)

The table below presents the Group's maximum exposure to Credit risk for its on-balance sheet and off-balance sheet financial instruments as at 30 June 2023, before and after taking into account any collateral held or other Credit risk mitigation.

The Group's on-balance sheet maximum exposure to Credit Risk increased by \$16 billion to \$540 billion (31 December 2022: \$525 billion).

Loans and advances to customers including reverse repurchase agreements reduced by \$4 billion to \$154 billion (31 December 2022: \$158 billion), mainly due to a reduction in reverse repos which was offset by a \$4 billion increase in fair value loans and advances reverse repurchase agreements.

Excluding reverse repurchase agreements, customer loans increased by \$1 billion to \$144 billion (31 December 2022: \$143 billion) primarily driven by Corporate, Commercial and Institutional Banking (CCIB).

Cash and balances at central banks increased by \$29 billion to \$80 billion (31 December 2022: \$51 billion) primarily due to overnight deposits with the US Federal Reserve, which was partly offset by a \$12 billion decrease in investment debt securities to \$100 billion (31 December 2022: \$112 billion) and a \$3 billion reduction in loans to banks, largely due to action taken to manage liquidity.

Derivative exposures decreased by \$4 billion to \$61 billion (31 December 2022: \$65 billion) and off-balance sheet instruments increased by \$12 billion to \$168 billion (31 December 2022: \$156 billion), largely from higher level of financial guarantees.

## Risk review continued

### Group

	30.06.23				31.12.22			
	Credit risk management				Credit risk management			
	Maximum exposure \$million	Collateral <sup>8</sup> \$million	Master netting agreements \$million	Net exposure \$million	Maximum exposure \$million	Collateral <sup>8</sup> \$million	Master netting agreements \$million	Net exposure \$million
On-balance sheet								
<b>Cash and balances at central banks</b>	79,603			79,603	50,531			50,531
<b>Loans and advances to banks<sup>1</sup></b>	24,240	1,319		22,921	27,383	878		26,505
of which – reverse repurchase agreements and other similar secured lending <sup>7</sup>	1,319	1,319		–	878	878		–
<b>Loans and advances to customers<sup>1</sup></b>	153,675	46,611		107,064	158,126	52,699		105,427
of which – reverse repurchase agreements and other similar secured lending <sup>7</sup>	10,014	10,014		–	15,586	15,586		–
<b>Investment securities – Debt securities and other eligible bills<sup>2</sup></b>	100,183			100,183	112,425			112,425
<b>Fair value through profit or loss<sup>3,7</sup></b>	91,531	66,717	–	24,814	80,668	62,333	–	18,335
Loans and advances to banks	2,126			2,126	859			859
Loans and advances to customers	3,054			3,054	4,065			4,065
Reverse repurchase agreements and other similar lending <sup>7</sup>	66,717	66,717		–	62,333	62,333		–
Investment securities – Debt securities and other eligible bills <sup>2</sup>	19,634			19,634	13,411			13,411
<b>Derivative financial instruments<sup>4,7</sup></b>	60,925	8,358	50,035	2,532	65,050	8,304	52,827	3,919
<b>Accrued income</b>	2,070			2,070	1,858			1,858
<b>Assets held for sale<sup>9</sup></b>	2,212			2,212	1,388			1,388
<b>Other assets<sup>5</sup></b>	25,897			25,897	27,210			27,210
<b>Total balance sheet</b>	<b>540,336</b>	<b>123,005</b>	<b>50,035</b>	<b>367,296</b>	<b>524,639</b>	<b>124,214</b>	<b>52,827</b>	<b>347,598</b>
Off-balance sheet <sup>6</sup>								
<b>Undrawn Commitments</b>	112,632	2,667		109,965	107,885	2,250		105,635
<b>Financial Guarantees and other equivalents</b>	55,292	1,980		53,312	47,799	2,229		45,570
<b>Total off-balance sheet</b>	<b>167,924</b>	<b>4,647</b>	<b>–</b>	<b>163,277</b>	<b>155,684</b>	<b>4,479</b>	<b>–</b>	<b>151,205</b>
<b>Total</b>	<b>708,260</b>	<b>127,652</b>	<b>50,035</b>	<b>530,573</b>	<b>680,323</b>	<b>128,693</b>	<b>52,827</b>	<b>498,803</b>

1 Net of credit impairment. An analysis of credit quality is set out in the credit quality analysis section (page 17)

2 Excludes equity and other investments of \$315 million (31 December 2022: \$603 million). Further details are set out in Note 11 Financial instruments

3 Excludes equity and other investments of \$906 million (31 December 2022: \$1,886 million). Further details are set out in Note 11 Financial instruments

4 The Group enters into master netting agreements, which in the event of default result in a single amount owed by or to the counterparty through netting the sum of the positive and negative mark-to-market values of applicable derivative transactions

5 Other assets include cash collateral, and acceptances, in addition to unsettled trades and other financial assets

6 Excludes ECL allowances which are reported under Provisions for liabilities and charges of \$212 million (31 December 2022: \$251 million)

7 Collateral capped at maximum exposure (over-collateralised)

8 Adjusted for over-collateralisation, which has been determined with reference to the drawn and undrawn component as this best reflects the effect on the amount arising from expected credit losses

9 The amount is after ECL. Further details are set out in Note 17 Assets held for sale and associated liabilities



### Analysis of financial instrument by stage (reviewed)

This table shows financial instruments and off-balance sheet commitments by stage, along with the total credit impairment loss provision against each class of financial instrument.

The proportion of financial instruments held within stage 1 increased by 1 per cent to 95.5 per cent (31 December 2022: 94.7 per cent). Total stage 1 balances increased by \$25 billion to \$535 billion (31 December 2022: \$510 billion), primarily due to increased Cash and balances at central banks. Stage 1 Loans and advances to customers decreased by \$3 billion to \$145 billion (31 December 2022: \$148 billion), largely due to lower levels of reverse repos in CCIB. Consumer, Private and Business Banking (CPBB) remains broadly flat at \$44 billion (31 December 2022: \$45 billion). Off-balance sheet exposures increased by \$14 billion to \$162 billion (31 December 2022: \$148 billion) primarily due to financial guarantees.

Stage 2 financial instruments reduced by \$3 billion to \$18 billion (31 December 2022: \$21 billion), \$1 billion of which was in Loans and advances to customers in CCIB across the following sectors: Energy, Food and household products and Commercial real estate, with the proportion of Loans and advances to customers classified in stage 2 reducing to 4 per cent (31 December 2022: 5 per cent).

Stage 3 financial instruments reduced by \$1 billion to \$7 billion (31 December 2022: \$8 billion) due to repayments and write-offs during the year.

### Group

	30.06.23											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance¹ \$million	Total credit impairment \$million	Net carrying value	Gross balance¹ \$million	Total credit impairment \$million	Net carrying value	Gross balance¹ \$million	Total credit impairment \$million	Net carrying value \$million	Gross balance¹ \$million	Total credit impairment \$million	Net carrying value \$million
Cash and balances at central banks	78,875	–	78,875	451	(8)	443	301	(16)	285	79,627	(24)	79,603
Loans and advances to banks (amortised cost)	23,646	(4)	23,642	537	(11)	526	75	(3)	72	24,258	(18)	24,240
Loans and advances to customers (amortised cost)	144,911	(183)	144,728	6,821	(221)	6,600	5,796	(3,449)	2,347	157,528	(3,853)	153,675
Debt securities and other eligible bills⁵	95,738	(32)		4,350	(37)		168	(53)		100,256	(122)	
Amortised cost	39,885	(20)	39,865	115	–	115	94	(53)	41	40,094	(73)	40,021
FVOCI²	55,853	(12)		4,235	(37)		74	–		60,162	(49)	–
Accrued income (amortised cost)⁴	2,070		2,070			–			–	2,070	–	2,070
Assets held for sale	2,072	–	2,072	118	(2)	116	85	(61)	24	2,275	(63)	2,212
Other assets	25,900	(3)	25,897	–	–	–	3	(3)	–	25,903	(6)	25,897
Undrawn commitments³	108,912	(28)		3,718	(35)		2	(1)		112,632	(64)	
Financial guarantees, trade credits and irrevocable letter of credits³	52,744	(10)		1,957	(18)		591	(120)		55,292	(148)	
<b>Total</b>	<b>534,868</b>	<b>(260)</b>		<b>17,952</b>	<b>(332)</b>		<b>7,021</b>	<b>(3,706)</b>		<b>559,841</b>	<b>(4,298)</b>	

1 Gross carrying amount for off-balance sheet refers to notional values

2 These instruments are held at fair value on the balance sheet. The ECL provision in respect of debt securities measured at FVOCI is held within the OCI reserve

3 These are off-balance sheet instruments. Only the ECL is recorded on-balance sheet as a financial liability and therefore there is no "net carrying amount". ECL allowances on off-balance sheet instruments are held as liability provisions to the extent that the drawn and undrawn components of loan exposures can be separately identified. Otherwise they will be reported against the drawn component

4 Stage 1 ECL is not material

5 Stage 3 gross includes \$100 million (2022: \$28 million) originated credit-impaired debt securities with impairment of \$14 million (2022: \$13 million)

## Risk review continued

	31.12.22											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance¹ \$million	Total credit impairment \$million	Net carrying value \$million	Gross balance¹ \$million	Total credit impairment \$million	Net carrying value \$million	Gross balance¹ \$million	Total credit impairment \$million	Net carrying value \$million	Gross balance¹ \$million	Total credit impairment \$million	Net carrying value \$million
Cash and balances at central banks	49,911	–	49,911	333	(8)	325	295	–	295	50,539	(8)	50,531
Loans and advances to banks (amortised cost)	27,084	(7)	27,077	275	(3)	272	35	(1)	34	27,394	(11)	27,383
Loans and advances to customers (amortised cost)	148,213	(268)	147,945	7,743	(187)	7,556	6,202	(3,577)	2,625	162,158	(4,032)	158,126
Debt securities and other eligible bills⁵	106,886	(20)		5,455	(90)		144	(106)		112,485	(216)	
Amortised cost	41,512	(7)	41,505	271	(2)	269	78	(51)	27	41,861	(60)	41,801
FVOCI²	65,374	(13)		5,184	(88)		66	(55)		70,624	(156)	–
Accrued income (amortised cost)⁴	1,858		1,858			–			–	1,858	–	1,858
Assets held for sale⁴	1,083	(6)	1,077	262	(4)	258	120	(67)	53	1,465	(77)	1,388
Other assets	27,213	(3)	27,210	–	–	–	3	(3)	–	27,216	(6)	27,210
Undrawn commitments³	103,644	(26)		4,133	(42)		128	–		107,885	(68)	
Financial guarantees, trade credits and irrevocable letter of credits³	44,252	(9)		2,883	(27)		664	(147)		47,799	(183)	
<b>Total</b>	<b>510,144</b>	<b>(339)</b>		<b>21,064</b>	<b>(361)</b>		<b>7,591</b>	<b>(3,901)</b>		<b>538,799</b>	<b>(4,601)</b>	

1 Gross carrying amount for off-balance sheet refers to notional values

2 These instruments are held at fair value on the balance sheet. The ECL provision in respect of debt securities measured at FVOCI is held within the OCI reserve

3 These are off-balance sheet instruments. Only the ECL is recorded on-balance sheet as a financial liability and therefore there is no “net carrying amount”. ECL allowances on off-balance sheet instruments are held as liability provisions to the extent that the drawn and undrawn components of loan exposures can be separately identified. Otherwise they will be reported against the drawn component

4 Stage 1 ECL is not material

5 Stage 3 gross includes \$28 million originated credit-impaired debt securities and impairment of \$13 million

## Credit quality analysis (reviewed)

### Credit quality by client segment

For the CCIB portfolios, exposures are analysed by credit grade (CG), which plays a central role in the quality assessment and monitoring of risk. All loans are assigned a CG, which is reviewed periodically and amended in light of changes in the borrower's circumstances or behaviour. CGs 1 to 12 are assigned to stage 1 and stage 2 (performing) clients or accounts, while CGs 13 and 14 are assigned to stage 3 (credit-impaired) clients. The mapping of credit quality is as follows.

### Mapping of credit quality

The Group uses the following internal risk mapping to determine the credit quality for loans.

Credit quality description	Corporate, Commercial & Institutional Banking			Private Banking <sup>1</sup>	Consumer and Business Banking <sup>5</sup>
	Internal Grade mapping	S&P external ratings equivalent	Regulatory PD range (%)	Internal ratings	Number of days past due
Strong	1A to 5B	AAA/AA+ to BBB-/BB+ <sup>2</sup>	0 to 0.425	Class I and Class IV	Current loans (no past dues nor impaired)
Satisfactory	6A to 11C	BB+/BB to B-/CCC+ <sup>3</sup>	0.426 to 15.75	Class II and Class III	Loans past due till 29 days
Higher Risk	Grade 12	CCC+/C <sup>4</sup>	15.751-99.999	Stress Assets Risk Managed	Past due loans 30 days and over till 90 days

1 For Private Banking, classes of risk represent the type of collateral held. Class I represents facilities with liquid collateral, such as cash and marketable securities. Class II represents unsecured/partially secured facilities and those with illiquid collateral, such as equity in private enterprises. Class III represents facilities with residential or Commercial real estate collateral. Class IV covers margin trading facilities

2 Banks' rating: AAA/AA+ to BB+. Sovereigns' rating: AAA to BB+

3 Banks' rating: BB to "CCC+ to C". Sovereigns' rating: BB+/BB to B-/CCC+

4 Banks' rating: CCC+ to C. Sovereigns' rating: CCC+ to "CCC+ to C"

5 Medium enterprise clients within Business Banking are managed using the same internal credit grade as CCIB

The table overleaf sets out the gross loans and advances held at amortised cost, expected credit loss provisions and expected credit loss coverage by business segment and stage. Expected credit loss coverage represents the expected credit loss reported for each segment and stage as a proportion of the gross loan balance for each segment and stage.

### Stage 1

Stage 1 gross loans and advances to customers reduced by \$3 billion to \$145 billion (31 December 2022: \$148 billion) and represents 92 per cent (31 December 2022: 91 per cent) of Loans and advances to customers. The stage 1 coverage ratio reduced to 0.1 per cent (31 December 2022: 0.2 per cent).

In CCIB, stage 1 loans have reduced by \$6 billion to \$73 billion (31 December 2022: \$79 billion), although the proportion of investment grade stage 1 loans was stable at 70 per cent (31 December 2022: 71 per cent). \$5 billion of the decrease was in the Financing, Insurance and Non-banking sectors from lower reverse repos, and \$1 billion was from the Manufacturing sector.

CPBB stage 1 loans were broadly stable at \$44 billion (31 December 2022: \$45 billion), with the proportion rated as 'strong' remaining at 93 per cent (31 December 2022: 93 per cent).

Central and other items segment increased by \$3 billion to \$28 billion (31 December 2022: \$24 billion) due to higher levels of lending to Governments, primarily in Singapore.

### Stage 2

Stage 2 Loans and advances to customers decreased by \$0.9 billion to \$6.8 billion (31 December 2022: \$7.7 billion), of which \$1 billion decrease was due to reductions in CCIB in the Commercial real estate, Food and household products and Energy sectors. The proportion of stage 2 loans also reduced by 0.4 per cent to 4.3 per cent (31 December 2022: 4.8 per cent).

CPBB stage 2 loans were \$0.2 billion higher at \$1.2 billion (31 December 2022: \$1.0 billion) primarily in Mortgages and secured wealth products.

Stage 2 loans to customers classified as 'Higher Risk' were \$0.4 billion lower at \$1.1 billion (31 December 2022: \$1.4 billion) largely due to repayments.

The overall stage 2 cover ratio increased by 0.8 per cent to 3.2 per cent (31 December 2022: 2.4 per cent) largely due to higher coverage in CCIB of 3.0 per cent (31 December 2022: 2.0 per cent), driven by increased provisioning on "Higher Risk" accounts.

### Stage 3

Gross stage 3 loans decreased by \$0.4 billion to \$5.8 billion (31 December 2022: \$6.2 billion), primarily in CCIB as repayments offset downgrades in Nigeria due to past dues exceeding 90 days for our clients owing to non-availability of USD.

CPBB stage 3 loans were broadly stable at \$1.1 billion (31 December 2022: \$1.1 billion).

Stage 3 cover ratio (excluding collateral) increased by 1.8 per cent to 59.5 per cent (31 December 2022: 57.7 per cent), mainly due to repayments.

## Loans and advances by client segment (reviewed)

## Group

30.06.23

	Customers							
	Banks \$million	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items \$million	Customer Total \$million	Undrawn commitments \$million	Financial Guarantees \$million
<b>Amortised cost</b>								
<b>Stage 1</b>	23,646	72,622	44,498	113	27,678	144,911	108,912	52,744
– Strong	13,915	51,039	41,190	111	27,387	119,727	97,102	34,468
– Satisfactory	9,731	21,583	3,308	2	291	25,184	11,810	18,276
<b>Stage 2</b>	537	5,633	1,186	2	–	6,821	3,718	1,957
– Strong	236	788	944	–	–	1,732	907	225
– Satisfactory	49	3,852	161	–	–	4,013	2,331	1,378
– Higher risk	252	993	81	2	–	1,076	480	354
<b>Of which (stage 2):</b>								
– Less than 30 days past due	–	187	161	–	–	348	–	–
– More than 30 days past due	5	111	81	2	–	194	–	–
<b>Stage 3, credit-impaired financial assets</b>	75	4,520	1,082	1	193	5,796	2	591
<b>Gross balance<sup>1</sup></b>	24,258	82,775	46,766	116	27,871	157,528	112,632	55,292
<b>Stage 1</b>	(4)	(52)	(127)	(4)	–	(183)	(28)	(10)
– Strong	(3)	(17)	(71)	(4)	–	(92)	(15)	(5)
– Satisfactory	(1)	(35)	(56)	–	–	(91)	(13)	(5)
<b>Stage 2</b>	(11)	(171)	(50)	–	–	(221)	(35)	(18)
– Strong	–	(24)	(7)	–	–	(31)	(3)	–
– Satisfactory	(5)	(68)	(14)	–	–	(82)	(15)	(10)
– Higher risk	(6)	(79)	(29)	–	–	(108)	(17)	(8)
<b>Of which (stage 2):</b>								
– Less than 30 days past due	–	(10)	(14)	–	–	(24)	–	–
– More than 30 days past due	–	(1)	(29)	–	–	(30)	–	–
<b>Stage 3, credit-impaired financial assets</b>	(3)	(2,779)	(657)	(1)	(12)	(3,449)	(1)	(120)
<b>Total credit impairment</b>	(18)	(3,002)	(834)	(5)	(12)	(3,853)	(64)	(148)
<b>Net carrying value</b>	24,240	79,773	45,932	111	27,859	153,675		
<b>Stage 1</b>	0.0%	0.1%	0.3%	3.5%	0.0%	0.1%	0.0%	0.0%
– Strong	0.0%	0.0%	0.2%	3.6%	0.0%	0.1%	0.0%	0.0%
– Satisfactory	0.0%	0.2%	1.7%	0.0%	0.0%	0.4%	0.1%	0.0%
<b>Stage 2</b>	2.0%	3.0%	4.2%	0.0%	0.0%	3.2%	0.9%	0.9%
– Strong	0.0%	3.0%	0.7%	0.0%	0.0%	1.8%	0.3%	0.0%
– Satisfactory	10.2%	1.8%	8.7%	0.0%	0.0%	2.0%	0.6%	0.7%
– Higher risk	2.4%	8.0%	35.8%	0.0%	0.0%	10.0%	3.5%	2.3%
<b>Of which (stage 2):</b>								
– Less than 30 days past due	0.0%	5.3%	8.7%	0.0%	0.0%	6.9%	0.0%	0.0%
– More than 30 days past due	0.0%	0.9%	35.8%	0.0%	0.0%	15.5%	0.0%	0.0%
<b>Stage 3, credit-impaired financial assets (S3)</b>	4.0%	61.5%	60.7%	100.0%	6.2%	59.5%	50.0%	20.3%
<b>Cover ratio</b>	0.1%	3.6%	1.8%	4.3%	0.0%	2.4%	0.1%	0.3%
<b>Fair value through profit or loss</b>								
<b>Performing</b>	32,224	39,668	–	–	1	39,669	–	–
– Strong	27,385	25,708	–	–	–	25,708	–	–
– Satisfactory	4,839	13,927	–	–	–	13,927	–	–
– Higher risk	–	33	–	–	1	34	–	–
<b>Defaulted (CG13-14)</b>	–	4	–	–	–	4	–	–
<b>Gross balance (FVTPL)<sup>2</sup></b>	32,224	39,672	–	–	1	39,673	–	–
<b>Net carrying value (incl FVTPL)</b>	56,464	119,445	45,932	111	27,860	193,348	–	–

1 Loans and advances includes reverse repurchase agreements and other similar secured lending of \$10,014 million under Customers and of \$1,319 million under Banks, held at amortised cost

2 Loans and advances includes reverse repurchase agreements and other similar secured lending of \$36,619 million under Customers and of \$30,098 million under Banks, held at fair value through profit or loss

## Risk review continued

### Group

31.12.22

	Customers							
	Banks \$million	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items \$million	Customer Total \$million	Undrawn commitments \$million	Financial Guarantees \$million
Amortised cost								
<b>Stage 1</b>	27,084	78,983	44,825	65	24,340	148,213	103,644	44,252
– Strong	16,722	56,167	41,683	63	24,340	122,253	92,418	29,973
– Satisfactory	10,362	22,816	3,142	2	–	25,960	11,226	14,279
<b>Stage 2</b>	275	6,762	980	1	–	7,743	4,113	2,883
– Strong	86	1,070	691	–	–	1,761	986	501
– Satisfactory	119	4,480	73	–	–	4,553	2,487	1,977
– Higher risk	70	1,212	216	1	–	1,429	640	405
<b>Of which (stage 2):</b>								
– Less than 30 days past due	5	100	75	–	–	175	–	–
– More than 30 days past due	6	22	217	1	–	240	–	–
<b>Stage 3, credit-impaired financial assets</b>	35	4,859	1,095	–	248	6,202	128	664
Gross balance <sup>1</sup>	27,394	90,604	46,900	66	24,588	162,158	107,885	47,799
<b>Stage 1</b>	(7)	(87)	(179)	(2)	–	(268)	(26)	(9)
– Strong	(2)	(29)	(117)	(2)	–	(148)	(16)	(2)
– Satisfactory	(5)	(58)	(62)	–	–	(120)	(10)	(7)
<b>Stage 2</b>	(3)	(134)	(53)	–	–	(187)	(42)	(27)
– Strong	–	(11)	(21)	–	–	(32)	(2)	–
– Satisfactory	(2)	(74)	(6)	–	–	(80)	(35)	(14)
– Higher risk	(1)	(49)	(26)	–	–	(75)	(5)	(13)
<b>Of which (stage 2):</b>								
– Less than 30 days past due	–	(1)	(11)	–	–	(12)	–	–
– More than 30 days past due	–	(1)	(26)	–	–	(27)	–	–
<b>Stage 3, credit-impaired financial assets</b>	(1)	(2,904)	(655)	–	(18)	(3,577)	–	(147)
Total credit impairment	(11)	(3,125)	(887)	(2)	(18)	(4,032)	(68)	(183)
Net carrying value	27,383	87,479	46,013	64	24,570	158,126		
<b>Stage 1</b>	0.0%	0.1%	0.4%	3.1%	0.0%	0.2%	0.0%	0.0%
– Strong	0.0%	0.1%	0.3%	3.2%	0.0%	0.1%	0.0%	0.0%
– Satisfactory	0.0%	0.3%	2.0%	0.0%	0.0%	0.5%	0.1%	0.0%
<b>Stage 2</b>	1.1%	2.0%	5.4%	0.0%	0.0%	2.4%	1.0%	0.9%
– Strong	0.0%	1.0%	3.0%	0.0%	0.0%	1.8%	0.2%	0.0%
– Satisfactory	1.7%	1.7%	8.2%	0.0%	0.0%	1.8%	1.4%	0.7%
– Higher risk	1.4%	4.0%	12.0%	0.0%	0.0%	5.2%	0.8%	3.2%
<b>Of which (stage 2):</b>								
– Less than 30 days past due	0.0%	1.0%	14.7%	0.0%	0.0%	6.9%	0.0%	0.0%
– More than 30 days past due	0.0%	4.5%	12.0%	0.0%	0.0%	11.3%	0.0%	0.0%
<b>Stage 3, credit-impaired financial assets (S3)</b>	2.9%	59.8%	59.8%	0.0%	7.3%	57.7%	0.0%	22.1%
<b>Cover ratio</b>	0.0%	3.4%	1.9%	3.0%	0.1%	2.5%	0.1%	0.4%
<b>Fair value through profit or loss</b>								
<b>Performing</b>	24,135	40,562	–	–	2,557	43,119	–	–
– Strong	20,656	33,256	–	–	2,409	35,665	–	–
– Satisfactory	3,479	7,306	–	–	148	7,454	–	–
– Higher risk	–	–	–	–	–	–	–	–
<b>Defaulted (CG13-14)</b>	–	3	–	–	–	3	–	–
<b>Gross balance (FVTPL)<sup>2</sup></b>	24,135	40,565	–	–	2,557	43,122	–	–
<b>Net carrying value (incl FVTPL)</b>	51,518	128,044	46,013	64	27,127	201,248	–	–

1 Loans and advances includes reverse repurchase agreements and other similar secured lending of \$15,586 million under Customers and of \$878 million under Banks, held at amortised cost

2 Loans and advances includes reverse repurchase agreements and other similar secured lending of \$39,057 million under Customers and of \$23,276 million under Banks, held at fair value through profit and loss

## Movement in gross exposures and credit impairment for loans and advances, debt securities, undrawn commitments and financial guarantees (reviewed)

The tables overleaf set out the movement in gross exposures and credit impairment by stage in respect of amortised cost loans to banks and customers, undrawn commitments, financial guarantees and debt securities classified at amortised cost and FVOCI. The tables are presented for the Group and debt securities and other eligible bills.

### Methodology

The movement lines within the tables are an aggregation of monthly movements over the year and will therefore reflect the accumulation of multiple trades during the year. The credit impairment charge in the income statement comprises the amounts within the boxes in the table below less recoveries of amounts previously written off. Discount unwind is reported in net interest income and related to stage 3 financial instruments only.

The approach for determining the key line items in the tables is set out below.

- **Transfers** – transfers between stages are deemed to occur at the beginning of a month based on prior month closing balances
- **Net remeasurement from stage changes** – the remeasurement of credit impairment provisions arising from a change in stage is reported within the stage that the assets are transferred to. For example, assets transferred into stage 2 are remeasured from a 12 month to a lifetime expected credit loss, with the effect of remeasurement reported in stage 2. For stage 3, this represents the initial remeasurement from specific provisions recognised on individual assets transferred into stage 3 in the year
- **Net changes in exposures** – new business written less repayments in the year. Within stage 1, new business written will attract up to 12 months of expected credit loss charges. Repayments of non-amortising loans (primarily within CCIB) will have low amounts of expected credit loss provisions attributed to them, due to the release of provisions over the term to maturity. In stages 2 and 3, the amounts principally reflect repayments although stage 2 may include new business written where clients are on non-purely precautionary early alert, are a credit grade 12, or when non-investment grade debt securities are acquired
- **Changes in risk parameters** – for stages 1 and 2, this reflects changes in the probability of default (PD), loss given default (LGD) and exposure at default (EAD) of assets during the year, which includes the impact of releasing provisions over the term to maturity. It also includes the effect of changes in forecasts of macroeconomic variables during the year and movements in management overlays. In stage 3, this line represents additional specific provisions recognised on exposures held within stage 3
- **Interest due but not paid** – change in contractual amount of interest due in stage 3 financial instruments but not paid, being the net of accruals, repayments and write-offs, together with the corresponding change in credit impairment

Changes to ECL models, which incorporates changes to model approaches and methodologies, is not reported as a separate line item as it has an impact over a number of lines and stages.

### Movements during the year

Stage 1 gross exposures decreased by \$4.1 billion to \$426 billion (31 December 2022: \$430 billion). Debt security balances decreased by \$11 billion to \$96 billion (31 December 2022: \$107 billion) due to actions taken to manage liquidity. CCIB decreased by \$6.4 billion to \$73 billion (31 December 2022: \$79 billion) due to a \$3 billion decrease in Loans and advances to customers largely due to lower reverse repo positions. CPBB was broadly stable at \$44 billion (31 December 2022: \$45 billion).

Total stage 1 provisions decreased by \$73 million to \$257 million (31 December 2022: \$330 million). CCIB decreased by \$35 million to \$52 million (31 December 2022: \$87 million) due to exposure reductions, which was partly offset by model updates. CPBB decreased by \$52 million to \$127 million (31 December 2022: \$179 million) due to the release of judgemental non-linearity Post Model Adjustment and the full release of the remaining COVID-19 overlays (both of which are reported in 'Changes in risk parameters' in the table).

Stage 2 gross exposures decreased by \$3 billion to \$17 billion (31 December 2022: \$20 billion), mainly from CCIB Loans and advances to customers, particularly in the following sectors Commercial real estate, Energy, Food and household products and Mining and quarrying, and from debt securities, mainly due to reductions in Pakistan sovereign exposures.

Stage 2 provisions decreased by \$27 million to \$322 million (31 December 2022: \$349 million). CPBB provisions decreased by \$3 million to \$50 million (31 December 2022: \$53 million). Debt Securities provisions decreased by \$53 million to \$37 million (31 December 2022: \$90 million) largely driven by exposures decreases and maturity for Pakistan. CCIB increased by \$37 million to \$171 million (31 December 2022: \$134 million) which resulted from clients downgrades due to Pakistan Sovereign and model updates (which are reported in 'Changes in risk parameters' in the table).

Stage 3 exposures decreased by \$0.5 billion to \$6.6 billion (31 December 2022: \$7.2 billion), primarily in CCIB driven by repayments and write-offs. Stage 3 provisions decreased by \$0.2 billion to \$3.6 billion (31 December 2022: \$3.8 billion), which were also due to repayments and write-offs.

## Risk review continued

### All segments – Group (reviewed)

Amortised cost and FVOCI	Stage 1			Stage 2			Stage 3 <sup>5</sup>			Total		
	Gross balance <sup>6</sup> \$million	Total credit impairment \$million	Net \$million	Gross balance <sup>6</sup> \$million	Total credit impairment \$million	Net \$million	Gross balance <sup>6</sup> \$million	Total credit impairment \$million	Net \$million	Gross balance <sup>6</sup> \$million	Total credit impairment \$million	Net \$million
<b>As at 1 January 2022</b>	395,848	(370)	395,478	27,655	(501)	27,154	7,882	(4,499)	3,383	431,385	(5,370)	426,105
Transfers to stage 1	18,477	(407)	18,070	(18,445)	407	(18,038)	(32)	–	(32)	–	–	–
Transfers to stage 2	(35,697)	180	(35,517)	36,198	(198)	36,000	(501)	18	(483)	–	–	–
Transfers to stage 3	(80)	–	(80)	(2,554)	205	(2,349)	2,634	(205)	2,429	–	–	–
Net change in exposures	66,022	(102)	65,920	(20,488)	73	(20,415)	(1,396)	300	(1,096)	44,138	271	44,409
Net remeasurement from stage changes	–	40	40	–	(90)	(90)	–	(81)	(81)	–	(131)	(131)
Changes in models	–	–	–	–	–	–	–	–	–	–	–	–
Changes in risk parameters	–	140	140	–	(79)	(79)	–	(355)	(355)	–	(294)	(294)
Write-offs	–	–	–	–	–	–	(633)	633	–	(633)	633	–
Interest due but unpaid	–	–	–	–	–	–	(168)	168	–	(168)	168	–
Discount unwind	–	–	–	–	–	–	–	119	119	–	119	119
Exchange translation differences and other movements <sup>1</sup>	(14,491)	189	(14,302)	(1,897)	(166)	(2,063)	(613)	71	(542)	(17,001)	94	(16,907)
<b>As at 31 December 2022<sup>2</sup></b>	430,079	(330)	429,749	20,469	(349)	20,120	7,173	(3,831)	3,342	457,721	(4,510)	453,211
Income statement ECL (charge)/release <sup>3</sup>		78			(96)			(136)			(154)	
Recoveries of amounts previously written off		–			–			175			175	
<b>Total credit impairment (charge)/release</b>		78			(96)			39			21	

## Risk review continued

Amortised cost and FVOCI	Stage 1			Stage 2			Stage 3 <sup>5</sup>			Total		
	Gross balance <sup>6</sup> \$million	Total credit impairment \$million	Net \$million	Gross balance <sup>6</sup> \$million	Total credit impairment \$million	Net \$million	Gross balance <sup>6</sup> \$million	Total credit impairment \$million	Net \$million	Gross balance <sup>6</sup> \$million	Total credit impairment \$million	Net \$million
As at 1 January 2023	430,079	(330)	429,749	20,469	(349)	20,120	7,173	(3,831)	3,342	457,721	(4,510)	453,211
Transfers to stage 1	6,394	(281)	6,113	(6,390)	281	(6,109)	(4)	–	(4)	–	–	–
Transfers to stage 2	(13,582)	116	(13,466)	13,655	(118)	13,537	(73)	2	(71)	–	–	–
Transfers to stage 3	294	(42)	252	(1,158)	109	(1,049)	864	(67)	797	–	–	–
Net change in exposures	3,095	(88)	3,007	(8,287)	19	(8,268)	(741)	237	(504)	(5,933)	168	(5,765)
Net remeasurement from stage changes	–	35	35	–	(105)	(105)	–	(32)	(32)	–	(102)	(102)
Changes in models	–	–	–	–	–	–	–	–	–	–	–	–
Changes in risk parameters	2	110	112	–	39	39	–	(279)	(327)	(46)	(130)	(176)
Write-offs	–	–	–	–	–	–	(48)	308	–	(308)	308	–
Interest due but unpaid	–	–	–	–	–	–	(308)	25	–	(25)	25	–
Discount unwind	–	–	–	–	–	–	(25)	79	79	–	79	79
Exchange translation differences and other movements <sup>1</sup>	(331)	223	(108)	(906)	(198)	(1,104)	(206)	(68)	(274)	(1,443)	(43)	(1,486)
<b>As at 30 June 2023<sup>2</sup></b>	<b>425,951</b>	<b>(257)</b>	<b>425,694</b>	<b>17,383</b>	<b>(322)</b>	<b>17,061</b>	<b>6,632</b>	<b>(3,626)</b>	<b>3,006</b>	<b>449,966</b>	<b>(4,205)</b>	<b>445,761</b>
Income statement ECL (charge)/release <sup>3</sup>		57			(47)			(74)			(64)	
Recoveries of amounts previously written off		–			–			96			96	
<b>Total credit impairment (charge)/release<sup>4</sup></b>		<b>57</b>			<b>(47)</b>			<b>22</b>			<b>32</b>	

1 Includes fair value adjustments and amortisation on debt securities

2 Excludes Cash and balances at central banks, Accrued income, Assets held for sale and Other assets

3 Does not include \$10 million (31 December 2022: \$1 million) release relating to Other assets

4 Statutory basis

5 Stage 3 gross includes \$100 million (2022: \$28 million) originated credit-impaired debt securities with impairment of \$14 million (2022: \$13 million)

6 The gross balance includes the notional amount of off balance sheet instruments



### Credit impairment charge (reviewed)

Ongoing credit impairment was a net release of \$14 million (30 June 2022: release of \$170 million), with a \$17 million release in stage 3 (30 June 2022: release of \$54 million) partly offset by a \$3 million charge in stage 1 and 2 (30 June 2022: release of \$116 million).

CCIB stage 1 and 2 was a \$44 million charge (30 June 2022: release of \$75 million), driven by model methodology updates, downgrade of Pakistan Sovereign clients, which were partly offset by releases.

CCIB had a net \$43 million release in stage 3 (30 June 2022: release of \$56 million) due to a number of significant releases, which was partly offset by the downgrades in Nigeria due to past dues exceeding 90 days for our clients owing to non-availability of USD.

CPBB stage 1 and 2 net release of \$16 million (30 June 2022: release of \$28 million) included a \$17 million net release from the judgemental management overlay and \$18 million release relating to the judgemental non-linearity post model adjustment as the Monte Carlo results showed that modelled non-linearity was sufficient. Excluding these releases, the charge was mainly driven by the unsecured portfolios which was offset by model and methodology changes. Stage 3 charge of \$28 million (30 June 2022: \$1 million) included \$6 million of judgemental overlay releases.

Ventures was a charge of \$4 million (30 June 2022: nil) from impairments in Trust Bank Singapore.

Central and other items stage 1 and 2 releases of \$28 million (30 June 2022: release of \$14 million) was primarily due to decreases in maturity and exposure reductions in Pakistan Sovereign exposures. Stage 3 was a release of \$3 million (30 June 2022: \$2 million).

Restructuring P&L was a release of \$8 million (30 June 2022: \$3 million).

	30.06.23			30.06.22		
	Stage 1 & 2 \$million	Stage 3 \$million	Total \$million	Stage 1 & 2 \$million	Stage 3 \$million	Total \$million
<b>Ongoing business portfolio</b>						
Corporate, Commercial & Institutional Banking	44	(43)	1	(75)	(56)	(131)
Consumer, Private & Business Banking	(16)	28	12	(28)	1	(27)
Ventures	3	1	4	1	(1)	–
Central & other items	(28)	(3)	(31)	(14)	2	(12)
<b>Credit impairment charge / (release)</b>	<b>3</b>	<b>(17)</b>	<b>(14)</b>	<b>(116)</b>	<b>(54)</b>	<b>(170)</b>
<b>Restructuring business portfolio</b>						
Others	(2)	(6)	(8)	–	3	3
<b>Credit impairment charge / (release)</b>	<b>(2)</b>	<b>(6)</b>	<b>(8)</b>	<b>–</b>	<b>3</b>	<b>3</b>
<b>Total credit impairment charge / (release)</b>	<b>1</b>	<b>(23)</b>	<b>(22)</b>	<b>(116)</b>	<b>(51)</b>	<b>(167)</b>

### Credit-impaired (stage 3) loans and advances by client segment (reviewed)

Gross Stage 3 loans for the Group decreased by \$0.4 billion to \$5.8 billion (31 December 2022: \$6.2 billion).

In CCIB, inflows were driven by downgrades in Nigeria due to past dues exceeding 90 days for our clients owing to non-availability of USD. This was offset by outflows due to repayments and upgrades of a few significant clients.

CPBB stage 3 loans were materially unchanged at \$1.1 billion (31 December 2022: \$1.1 billion).

### Stage 3 cover ratio (reviewed)

The stage 3 cover ratio measures the proportion of stage 3 impairment provisions to gross stage 3 loans, and is a metric commonly used in considering impairment trends. This metric does not allow for variations in the composition of stage 3 loans and should be used in conjunction with other Credit Risk information provided, including the level of collateral cover.

The balance of stage 3 loans not covered by stage 3 impairment provisions represents the adjusted value of collateral held and the net outcome of any workout or recovery strategies.

Collateral provides risk mitigation to some degree in all client segments and supports the credit quality and cover ratio assessments post impairment provisions. Further information on collateral is provided in the Credit Risk mitigation section.

The CCIB stage 3 cover ratio increased by 1 percentage point to 61 per cent (31 December 2022: 60 per cent) due to repayments.

The CPBB stage 3 cover ratio increased by 1 percentage point to 61 per cent (31 December 2022: 60 per cent) primarily due to a slight reduction in outstanding balances.

## Group

	30.06.23					31.12.22				
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & Others \$million	Total \$million	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures <sup>1</sup> \$million	Central & Others \$million	Total \$million
<b>Amortised cost</b>										
Gross credit-impaired	4,520	1,082	1	193	5,796	4,859	1,095	–	248	6,202
Credit impairment provisions	(2,779)	(657)	(1)	(12)	(3,449)	(2,904)	(655)	–	(18)	(3,577)
<b>Net credit-impaired</b>	<b>1,741</b>	<b>425</b>	<b>–</b>	<b>181</b>	<b>2,347</b>	<b>1,955</b>	<b>440</b>	<b>–</b>	<b>230</b>	<b>2,625</b>
<b>Cover ratio</b>	<b>61%</b>	<b>61%</b>	<b>100%</b>	<b>6%</b>	<b>60%</b>	<b>60%</b>	<b>60%</b>	<b>0%</b>	<b>7%</b>	<b>58%</b>
Collateral (\$ million)	541	441	–	–	982	628	411	–	–	1,039
<b>Cover ratio (after collateral)</b>	<b>73%</b>	<b>100%</b>	<b>100%</b>	<b>6%</b>	<b>76%</b>	<b>73%</b>	<b>97%</b>	<b>0%</b>	<b>7%</b>	<b>74%</b>

## Credit quality by industry

## Loans and advances

This section provides an analysis of the Group's amortised cost portfolio by industry on a gross, total credit impairment and net basis.

From an industry perspective, gross Loans and advances reduced by \$4.6 billion to \$158 billion (31 December 2022: \$162 billion), primarily in CCIB and Central and other items segments. CPBB was flat at \$47 billion (31 December 2022: \$47 billion).

Stage 1 decreased by \$3.3 billion to \$145 billion (31 December 2022: \$148 billion), primarily within the CCIB and Central and other items segments. The reduction was primarily driven by a \$6.3 billion decrease from an exposure reduction in the Financing, insurance and non-banking sectors due to lower reverse repos and in the Manufacturing sector. This was offset by a \$3.5 billion increase in lending to Governments, mainly in Singapore.

In CPBB stage 1 loans reduced by \$0.3 billion to \$44.6 billion (31 December 2022: \$44.9 billion) mainly in Singapore due to lower Mortgages from repayments, offset by an increase in Secured wealth products.

Stage 2 loans decreased by \$0.9 billion to \$6.8 billion (31 December 2022: \$7.7 billion) largely from CCIB where there were exposure reductions in the following sectors Commercial real estate, Energy, Food and household products and Mining and quarrying.

Stage 3 loans reduced by \$0.4 billion to \$5.8 billion (31 December 2022: \$6.2 billion) of which CPBB was flat at \$1.1 billion (31 December 2022: \$1.1 billion). CCIB and Central and other items fell by \$0.4 billion to \$4.7 billion (31 December 2022: \$5.1 billion) as repayments offset new inflows from downgrades in Nigeria due to past dues exceeding 90 days for our clients owing to non-availability of USD.

## Risk review continued

### Group

30.06.23												
Amortised cost	Stage 1			Stage 2			Stage 3			Total		
	Gross balance \$million	Total credit impairment \$million	Net carrying amount \$million	Gross balance \$million	Total credit impairment \$million	Net carrying amount \$million	Gross balance \$million	Total credit impairment \$million	Net carrying amount \$million	Gross balance \$million	Total credit impairment \$million	Net carrying amount \$million
<b>Industry:</b>												
Energy	7,096	(3)	7,093	477	(21)	456	973	(563)	410	8,546	(587)	7,959
Manufacturing	9,601	(8)	9,593	639	(15)	624	671	(389)	282	10,911	(412)	10,499
Financing, insurance and non-banking	21,566	(6)	21,560	115	(2)	113	198	(184)	14	21,879	(192)	21,687
Transport, telecom and utilities	9,234	(8)	9,226	1,848	(51)	1,797	479	(230)	249	11,561	(289)	11,272
Food and household products	6,424	(6)	6,418	342	(14)	328	409	(247)	162	7,175	(267)	6,908
Commercial real estate	5,787	(12)	5,775	513	(12)	501	268	(147)	121	6,568	(171)	6,397
Mining and quarrying	3,666	(2)	3,664	100	(4)	96	228	(151)	77	3,994	(157)	3,837
Consumer durables	3,186	(4)	3,182	299	(32)	267	315	(287)	28	3,800	(323)	3,477
Construction	1,094	-	1,094	574	(9)	565	411	(335)	76	2,079	(344)	1,735
Trading companies & distributors	395	-	395	6	-	6	134	(77)	57	535	(77)	458
Government	30,039	-	30,039	583	(8)	575	350	(29)	321	30,972	(37)	30,935
Other	2,212	(3)	2,209	137	(3)	134	277	(152)	125	2,626	(158)	2,468
<b>Retail Products:</b>												
Mortgage	23,181	(7)	23,174	653	(3)	650	399	(161)	238	24,233	(171)	24,062
Credit Cards	2,939	(51)	2,888	112	(26)	86	43	(30)	13	3,094	(107)	2,987
Personal loans and other unsecured lending	3,298	(46)	3,252	116	(16)	100	155	(95)	60	3,569	(157)	3,412
Auto	397	-	397	1	-	1	-	-	-	398	-	398
Secured wealth products	14,066	(25)	14,041	275	(5)	270	425	(334)	91	14,766	(364)	14,402
Other	730	(2)	728	31	-	31	61	(38)	23	822	(40)	782
<b>Net carrying value (customers)<sup>1</sup></b>	<b>144,911</b>	<b>(183)</b>	<b>144,728</b>	<b>6,821</b>	<b>(221)</b>	<b>6,600</b>	<b>5,796</b>	<b>(3,449)</b>	<b>2,347</b>	<b>157,528</b>	<b>(3,853)</b>	<b>153,675</b>

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of \$10,014 million

## Risk review continued

Amortised cost	31.12.22											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance \$million	Total credit impairment \$million	Net carrying amount \$million	Gross balance \$million	Total credit impairment \$million	Net carrying amount \$million	Gross balance \$million	Total credit impairment \$million	Net carrying amount \$million	Gross balance \$million	Total credit impairment \$million	Net carrying amount \$million
<b>Industry:</b>												
Energy	8,569	(8)	8,561	786	(9)	777	1,318	(612)	706	10,673	(629)	10,044
Manufacturing	10,839	(19)	10,820	645	(26)	619	649	(409)	240	12,133	(454)	11,679
Financing, insurance and non-banking	26,667	(7)	26,660	276	(2)	274	193	(174)	19	27,136	(183)	26,953
Transport, telecom and utilities	8,677	(18)	8,659	1,819	(34)	1,785	651	(219)	432	11,147	(271)	10,876
Food and household products	6,410	(20)	6,390	624	(20)	604	411	(252)	159	7,445	(292)	7,153
Commercial real estate	5,229	(4)	5,225	847	(12)	835	232	(160)	72	6,308	(176)	6,132
Mining and quarrying	3,598	(3)	3,595	380	(5)	375	241	(168)	73	4,219	(176)	4,043
Consumer durables	2,492	(3)	2,489	328	(15)	313	320	(289)	31	3,140	(307)	2,833
Construction	1,340	(1)	1,339	371	(5)	366	495	(410)	85	2,206	(416)	1,790
Trading companies & distributors	466	–	466	12	(1)	11	120	(77)	43	598	(78)	520
Government	26,566	(1)	26,565	533	(1)	532	168	(15)	153	27,267	(17)	27,250
Other	2,470	(3)	2,467	141	(4)	137	309	(137)	172	2,920	(144)	2,776
<b>Retail Products:</b>												
Mortgage	23,893	(10)	23,883	563	(6)	557	418	(163)	255	24,874	(179)	24,695
Credit Cards	2,925	(53)	2,872	88	(25)	63	40	(31)	9	3,053	(109)	2,944
Personal loans and other unsecured lending	3,213	(89)	3,124	80	(14)	66	167	(103)	64	3,460	(206)	3,254
Equipment Leased Auto	501	–	501	1	–	1	–	–	–	502	–	502
Secured wealth products	13,749	(27)	13,722	219	(7)	212	380	(290)	90	14,348	(324)	14,024
Other	609	(2)	607	30	(1)	29	90	(68)	22	729	(71)	658
<b>Net carrying value (customers)<sup>1</sup></b>	<b>148,213</b>	<b>(268)</b>	<b>147,945</b>	<b>7,743</b>	<b>(187)</b>	<b>7,556</b>	<b>6,202</b>	<b>(3,577)</b>	<b>2,625</b>	<b>162,158</b>	<b>(4,032)</b>	<b>158,126</b>

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of \$15,586 million

## Risk review continued

### Debt securities and other eligible bills (reviewed)

This section provides further detail on gross debt securities and treasury bills.

The standard credit ratings used by the Group are those used by Standard & Poor's or its equivalent. Debt securities held that have a short-term rating are reported against the long-term rating of the issuer. For securities that are unrated, the Group applies an internal credit rating, as described under the credit rating and measurement section on page 135 of the 2022 Annual report.

Total gross debt securities and other eligible bills reduced by \$12.2 billion to \$100 billion (31 December 2022: \$112 billion) due to actions taken to manage liquidity.

Stage 1 gross balance reduced by \$11.1 billion to \$96 billion (31 December 2022: \$107 billion). \$5 billion of the reduction was in unrated securities.

Stage 2 gross balance decreased by \$1.1 billion to \$4.4 billion (31 December 2022: \$5.5 billion) due to exposure reductions in securities rated 'Lower than BBB-'.<sup>1</sup>

Stage 3 gross balance remains stable at \$0.2 billion (31 December 2022: \$0.1 billion).

### Group

	30.06.23			31.12.22		
Amortised cost and FVOCI	Gross \$million	ECL \$million	Net <sup>2</sup> \$million	Gross \$million	ECL \$million	Net <sup>2</sup> \$million
<b>Stage 1</b>	<b>95,738</b>	<b>(32)</b>	<b>95,706</b>	<b>106,886</b>	<b>(20)</b>	<b>106,866</b>
AAA	59,559	(7)	59,552	65,729	(7)	65,722
AA- to AA+	11,941	(1)	11,940	14,767	(3)	14,764
A- to A+	5,879	(2)	5,877	6,311	(2)	6,309
BBB- to BBB+	10,607	(10)	10,597	7,387	(1)	7,386
Lower than BBB-	1,315	(2)	1,313	1,047	(2)	1,045
Unrated	6,437	(10)	6,427	11,645	(5)	11,640
<b>Stage 2</b>	<b>4,350</b>	<b>(37)</b>	<b>4,313</b>	<b>5,455</b>	<b>(90)</b>	<b>5,365</b>
AAA	22	-	22	21	-	21
AA- to AA+	88	-	88	40	-	40
A- to A+	97	(1)	96	17	(1)	16
BBB- to BBB+	2,219	(14)	2,205	2,605	(15)	2,590
Lower than BBB-	1,755	(20)	1,735	2,485	(71)	2,414
Unrated	169	(2)	167	287	(3)	284
<b>Stage 3</b>	<b>168</b>	<b>(53)</b>	<b>115</b>	<b>144</b>	<b>(106)</b>	<b>38</b>
Lower than BBB-	74	-	74	66	(55)	11
Unrated	94	(53)	41	78	(51)	27
<b>Gross balance<sup>1</sup></b>	<b>100,256</b>	<b>(122)</b>	<b>100,134</b>	<b>112,485</b>	<b>(216)</b>	<b>112,269</b>

<sup>1</sup> Stage 3 gross includes \$100 million (2022: \$28 million) originated credit-impaired debt securities with impairment of \$14 million (2022: \$13 million)

<sup>2</sup> FVOCI instrument are not presented net of ECL. While the presentation is on a net basis for the table, the total net on-balance sheet amount is \$100,183 million (31 December 2022: \$112,425 million). Refer to the Analysis of financial instrument by stage table on page 15

### IFRS 9 expected credit loss methodology (reviewed)

Refer to pages 105 to 106 in the SC PLC Group's 2022 Annual Report for the 'Approach for determining expected credit losses', 'Application of lifetime' and pages 110 to 113 for 'Significant increase in credit risk (SICR)', 'Assessment of credit-impaired financial assets' and 'Governance and application of expert credit judgement in respect of expected credit losses'. There have been no changes to the Group's approach in determining SICR compared to 31 December 2022.

### Key assumptions and judgements in determining expected credit loss

#### Incorporation of forward-looking information

The evolving economic environment is a key determinant of the ability of a bank's clients to meet their obligations as they fall due. It is a fundamental principle of IFRS 9 that the provisions banks hold against potential future credit risk losses should depend not just on the health of the economy today but should also take into account potential changes to the economic environment. For example, if a bank were to anticipate a sharp slowdown in the world economy over the coming year, it should hold more provisions today to absorb the credit losses likely to occur in the near future.

To capture the effect of changes to the economic environment, the PDs and LGDs used to calculate ECL incorporate forward-looking information in the form of forecasts of the values of economic variables and asset prices that are likely to have an effect on the repayment ability of the Group's clients.

The 'Base Forecast' of the economic variables and asset prices is based on management's view of the five-year outlook, supported by projections from the Group's in-house research team and outputs from a third-party model that project specific economic variables and asset prices. The research team takes consensus views into consideration and senior management reviews projections for some core country variables against consensus when forming their view of the outlook. For the period beyond five years, management utilises the in-house research view and third-party model outputs, which allow for a reversion to long-term growth rates or norms. All projections are updated on a quarterly basis.

#### Forecast of key macroeconomic variables underlying the expected credit loss calculation and the impact on non-linearity

In the Base Forecast – management's view of the most likely outcome – the pace of growth of the world economy is expected to slow in the near term led by Europe and Americas. Global GDP is forecast to grow by less than 3 per cent in 2023. World GDP growth averaged 3.7 per cent for the 10 years prior to COVID-19 (between 2010 and 2019).

The COVID pandemic has faded from the headlines, and the Russia-Ukraine war may become a frozen conflict (albeit still with heightened geopolitical risks). However, the economic repercussions of both shocks continue to be felt. Central banks have tightened policy – aggressively in North America, Latin America and Europe – to contain inflation pressures, exposing vulnerabilities in some US and European banks and broader financial-market fragility earlier in the year.

While the quarterly Base Forecasts inform the Group's strategic plan, one key requirement of IFRS 9 is that the assessment of provisions should consider multiple future economic environments. For example, the global economy may grow more quickly or more slowly than the Base Forecast, and these variations would have different implications for the provisions that the Group should hold today. As the negative impact of an economic downturn on credit losses tends to be greater than the positive impact of an economic upturn, if the Group sets provisions only on the ECL under the Base Forecast it might maintain a level of provisions that does not appropriately capture the range of potential outcomes. To address this property of skewness (or non-linearity), IFRS 9 requires reported ECL to be a probability-weighted ECL calculated over a range of possible outcomes.

To assess the range of possible outcomes the Group simulates a set of 50 scenarios around the Base Forecast, calculates the ECL under each of them and assigns an equal weight of 2 per cent to each scenario outcome. These scenarios are generated by a Monte Carlo simulation, which addresses the challenges of crafting many realistic alternative scenarios in the many countries in which the Group operates by means of a model, which produces these alternative scenarios while considering the degree of historical uncertainty (or volatility) observed from Q1 1990 to Q3 2022 around economic outcomes and how these outcomes have tended to move in relation to one another (or correlation). This naturally means that each of the 50 scenarios do not have a specific narrative, although collectively they explore a range of hypothetical alternative outcomes for the global economy, including scenarios that turn out better than expected and scenarios that amplify anticipated stresses.

The tables on page 29 provide a summary of the Group's Base Forecast for key markets. The peak/trough amounts in the tables show the highest and lowest points within the Base Forecast.

## Risk review continued

China's growth is expected to accelerate to almost 6 per cent in 2023 from around 3 per cent in 2022. Favourable base effects and China's economic reopening have provided support to the economy. In contrast Singapore GDP growth is expected to decelerate to just over 1 per cent from over 3 per cent in 2022. Softer external demand and the peaking of the electronics cycle are expected to continue to weigh on economic activity and in particular trade-related sectors. US and European economic growth are expected to slow sharply this year on high inflation, monetary policy tightening and increased financial stability risk. Growth in India is expected to slow to 5.5 per cent from over 7 per cent in 2022 as the impact from the post-COVID pent up demand fades. For the UAE growth this year is forecast to be less than 3 per cent on additional OPEC+ production cuts, which is expected to cause a marked slowdown from the 2022 growth outcome of almost 7 per cent.

The slowdown in world GDP growth in the near term will translate to a softening in the growth of demand for commodities in 2023. Brent Crude oil prices are expected to average around \$89 in 2023 compared to around \$100 in 2022.

### 2023

	China				UAE				Singapore				India			
	5 yr average base forecast <sup>3</sup>	Base forecast peak/trough	Low <sup>1</sup>	High <sup>2</sup>	5 yr average base forecast <sup>3</sup>	Base forecast peak/trough	Low <sup>1</sup>	High <sup>2</sup>	5 yr average base forecast <sup>3</sup>	Base forecast peak/trough	Low <sup>1</sup>	High <sup>2</sup>	5 yr average base forecast <sup>3</sup>	Base forecast peak/trough	Low <sup>1</sup>	High <sup>2</sup>
GDP growth (YoY%)	5.1	5.8/4.5	1.4	9.4	3.5	5.0/2.4	(1.1)	10.3	2.4	3.8/1.1	(3.1)	8.5	6.1	6.5/4.8	2.1	10.6
Unemployment (%)	4.0	4.2/3.9	3.5	4.5	N/A	N/A	N/A	N/A	2.7	2.9/2.7	1.9	3.8	N/A	N/A	N/A	N/A
3 month interest rates (%)	2.6	3.0/2.2	1.0	4.5	3.4	5.1/2.9	2.0	5.5	3.0	4.5/2.6	0.7	5.4	6.2	6.5/5.9	2.0	11.3
House prices (YoY%)	4.3	7.2/(2.0)	(3.2)	12.1	2.8	7.1/1.9	(2.9)	15.7	2.2	3.9/(0.7)	(16.3)	22.6	6.1	7.2/2.2	1.0	11.6

### 2022

	China				UAE				Singapore				India			
	5 yr average base forecast <sup>3</sup>	Base forecast peak/trough	Low <sup>1</sup>	High <sup>2</sup>	5 yr average base forecast <sup>3</sup>	Base forecast peak/trough	Low <sup>1</sup>	High <sup>2</sup>	5 yr average base forecast <sup>3</sup>	Base forecast peak/trough	Low <sup>1</sup>	High <sup>2</sup>	5 yr average base forecast <sup>3</sup>	Base forecast peak/trough	Low <sup>1</sup>	High <sup>2</sup>
GDP growth (YoY%)	5.1	7.9/4.5	1.1	9.6	3.6	5.4/2.1	-1.5	8.8	2.7	3.7/1.7	-3.4	8.6	6.4	7.7/3.2	1.5	12.1
Unemployment (%)	3.9	4.1/3.8	3.4	4.3	N/A	N/A	N/A	N/A	3.0	3.2/3.0	2.1	4.5	N/A	N/A	N/A	N/A
3 month interest rates (%)	2.3	3.0/1.4	0.6	4.4	3.5	5.2/2.8	-0.4	8.5	3.1	4.7/2.4	0.8	5.6	5.6	6.3/5.3	1.9	9.5
House prices (YoY%)	3.6	5.0/0.0	-3.4	10.0	1.8	2.0/1.1	-14.7	17.6	2.8	4.7/-2.4	-15.9	5.7	5.7	7.2/1.6	-1.1	13.0

	2023				2022			
	5 yr average base forecast <sup>3</sup>	Base forecast peak/trough	Low <sup>2</sup>	High <sup>3</sup>	5 yr average base forecast	Base forecast peak/trough	Low <sup>2</sup>	High <sup>2</sup>
Brent Crude, \$ pb	113.5	132.0/88.0	53.1	221.6	106.6	118.8/88.0	42.4	204.2

N/A – Not available

1 Represents the 10th percentile in the range of economic scenarios used to determine non-linearity

2 Represents the 90th percentile in the range of economic scenarios used to determine non-linearity

3 Base forecasts are evaluated from Q3 2023 to Q2 2028. The forward-looking simulation starts from Q3 2023

### Judgemental adjustments

As at 30 June 2023, the Group held \$22 million (31 December 2022: \$41 million) of judgemental management overlays, \$13 million (31 December 2022: \$9 million) of which relates to CCIB and \$9 million (31 December 2022: \$32 million) to CPBB.

The Group also held judgemental post model adjustments which increased ECL by \$5 million (31 December 2022: \$16 million) in CPBB, primarily to hold back releases of ECL identified from model performance breaches because moratoria and other support schemes have suppressed observed defaults. These will be released when the observed defaults normalise.

Judgemental adjustments are re-assessed quarterly, are reviewed and approved by the IFRS 9 Impairment Committee and will be released when the risks are no longer relevant.

### Judgemental management overlays

#### CCIB

Due to the ongoing economic uncertainty following the Sri Lanka sovereign default in the first half of 2022, a judgemental overlay of \$13 million (31 December 2022: \$9 million) is held against stage 3 exposures in Sri Lanka that have not yet been individually assessed for impairment.

#### CPBB

The remaining COVID-19 overlay of \$21 million has been fully released in the first half of 2023 and no COVID-19 overlay is held at 30 June 2023.

Overlays of \$9 million (31 December 2022: \$11 million) have also been applied to capture operating and macroeconomic environment challenges, in part caused by rising interest rates in certain markets, and the impact of sovereign defaults in the last quarter of 2022, both of which are not fully captured in the modelled outcomes.

### Stage 3 assets

Credit-impaired assets managed by Stressed Asset Risk incorporate forward-looking economic assumptions in respect of the recovery outcomes identified, and are assigned individual probability weightings. These assumptions are not based on a Monte Carlo simulation but are informed by the Base Forecast.

### Sensitivity of expected credit loss calculation to macroeconomic variables

The ECL calculation relies on multiple variables and is inherently non-linear and portfolio-dependent, which implies that no single analysis can fully demonstrate the sensitivity of the ECL to changes in the macroeconomic variables. The Group has conducted a series of analyses with the aim of identifying the macroeconomic variables which might have the greatest impact on overall ECL. These encompassed single variable and multi-variable exercises, using simple up/down variation and extracts from actual calculation data, as well as bespoke scenario design and assessments.

The primary conclusion of these exercises is that no individual macroeconomic variable is materially influential. The Group believes this is plausible as the number of variables used in the ECL calculation is large. This does not mean that macroeconomic variables are uninfluential; rather, that the Group believes that consideration of macroeconomics should involve whole scenarios, as this aligns with the multi-variable nature of the calculation.

The Group faces downside risks in the operating environment related to the uncertainties surrounding the macroeconomic outlook. To explore this, a sensitivity analysis of ECL was undertaken to explore the effect of slower economic recoveries across the Group's footprint markets. Two downside scenarios were considered. The first explores the impact of increased geopolitical tensions between China and the West, in particular, the US. Given the recent instability in the US and European banking sector the second more modest downside scenario replicates the Global Financial Crisis of 2008-09 but assumes the shock is halved.



## Risk review continued

	Baseline		Geopolitical Risk Intensification		GFC (50% Shock)	
	Five year average	Peak/Trough	Five year average	Peak/Trough	Five year average	Peak/Trough
China GDP	5.1	5.8/4.5	3.5	6.8/(6.4)	4.8	5.3/3.9
China unemployment	4.0	4.2/3.9	5.7	6.5/4.7	4.1	4.3/3.9
China property prices	4.3	7.2/(2.0)	3.5	5.7/(3.1)	2.2	5.9/(7.5)
UAE GDP	3.5	5.0/2.4	2.8	5.0/(3.0)	2.9	5.0/(0.3)
UAE property prices	2.8	7.1/1.9	1.3	6.1/0.1	(2.2)	3.0/(20.2)
US GDP	1.6	2.4/0.0	0.4	3.2/(9.0)	1.1	2.1/(1.2)
Singapore GDP	2.4	3.8/1.1	1.2	3.5/(6.9)	2.2	6.7/(3.5)
India GDP	6.1	6.5/4.8	4.8	7.1/(2.9)	5.8	6.5/4.7
Crude Oil	113.5	132.0/88.0	89.5	114.6/69.0	106.4	132.0/56.8

The total reported stage 1 and 2 ECL provisions (including both on and off-balance sheet instruments) would be approximately \$63 million higher under the GFC (50 per cent shock) scenario and \$269 million higher under the Geopolitical risk intensification scenario than the baseline ECL provisions (which excluded the impact of multiple economic scenarios and management overlays which may already capture some of the risks in these scenarios). The proportion of stage 2 assets would increase from 4.3 per cent in the base case to 4.7 per cent and 8.0 per cent respectively under the GFC (50 per cent shock) and Geopolitical risk intensification scenarios. This includes the impact of exposures transferring to stage 2 from stage 1 but does not consider an increase in stage 3 defaults.

Under both scenarios the majority of the increase in CCIB came from the main corporate and project finance portfolios in the United Arab Emirates and Singapore. For the CPBB portfolios most of the increases came from the unsecured retail portfolios with Singapore Credit Cards most impacted.

There was no material change in modelled stage 3 provisions as these primarily relate to unsecured retail exposures for which the LGD is not sensitive to changes in the macroeconomic forecasts. There is also no material change for non-modelled stage 3 exposures as these are more sensitive to client specific factors than to alternative macroeconomic scenarios. The actual outcome of any scenario may be materially different due to, among other factors, the effect of management actions to mitigate potential increases in risk and changes in the underlying portfolio.

## Modelled provisions

	Increase in ECL	
	GFC (50% shock) \$million	Geopolitical risk intensification \$million
<b>Stage 1</b>		
CCIB	35	77
CPBB	1	14
Ventures	–	–
Central & Others	2	3
<b>Total increase in stage 1 ECL</b>	<b>38</b>	<b>94</b>
<b>Stage 2</b>		
CCIB	22	162
CPBB	2	12
Ventures	–	–
Central & Others	1	1
<b>Total increase in stage 2 ECL</b>	<b>25</b>	<b>175</b>
<b>Total Stage 1 &amp; 2</b>		
CCIB	57	239
CPBB	3	26
Ventures	–	–
Central & Others	3	4
<b>Total increase in stage 2 ECL</b>	<b>63</b>	<b>269</b>

### Traded Risk

Traded Risk is the potential for loss resulting from activities undertaken by the Group in Financial markets. The PLC Group's Traded Risk Type Framework, which is adopted by the Company through an addendum, brings together Market Risk, Counterparty Credit Risk and Algorithmic Trading. Traded Risk Management is the core risk management function supporting market-facing businesses, predominantly Financial Markets and Treasury Markets.

### Market Risk (reviewed)

Market Risk is the potential for fair value loss due to adverse moves in financial markets. The Group's exposure to Market Risk arises predominantly from the following sources:

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

A summary of our current policies and practices regarding Market Risk management is provided in the Principal Risks section of the 2022 Annual Report (pages 137 to 138).

The primary categories of Market Risk for the Group are:

- Interest Rate Risk: arising from changes in yield curves and implied volatilities on interest rate options
- Foreign Exchange Rate Risk: arising from changes in currency exchange rates and implied volatilities on foreign exchange options
- Commodity Risk: arising from changes in commodity prices and implied volatilities on commodity options; covering energy, precious metals, base metals and agriculture
- Credit Spread Risk: arising from changes in the price of debt instruments and credit-linked derivatives, driven by factors other than the level of risk-free interest rates
- Equity Risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options

### Market risk changes (reviewed)

Value-at Risk (VaR) allows the Group to manage market risk across the trading book and most of the fair valued non-trading books.

The average level of total trading and non-trading VaR in H1 2023 was \$44.8 million, 3.3 per cent higher than H2 2022 (\$43.4 million) and 18.6 per cent higher than H1 2022 (\$37.8 million). The actual level of total trading and non-trading VaR in H1 2023 was \$40.1 million, 12.4 per cent lower than H2 2022 (\$45.8 million) and 11.2 per cent lower than H1 2022 (\$45.2 million), due to a reduction in non-trading fair value credit spread positions, offsetting the impact of increased volatility following the bank failures in Q1 2023.

For the trading book, the average level of VaR in H1 2023 was \$18.0 million, 8.3 per cent higher than H2 2022 (\$16.6 million) and 16.5 per cent higher than H1 2022 (\$15.4 million). Trading activities have remained relatively unchanged, and client driven.

### Daily value at risk (VaR at 97.5%, one day) (reviewed)

	6 months ended 30.06.23				6 months ended 31.12.22				6 months ended 30.06.22			
	Average \$million	High \$million	Low \$million	Half Year \$million	Average \$million	High \$million	Low \$million	Half Year \$million	Average \$million	High \$million	Low \$million	Half Year \$million
Trading <sup>1</sup> and non-trading <sup>2</sup>												
Interest Rate Risk	24.6	32.7	17.9	30.1	19.5	27.7	15.9	18.5	23.0	31.9	17.4	18.5
Credit Spread Risk	31.2	43.9	24.5	29.0	29.1	39.7	25.6	25.9	25.4	37.0	15.0	36.9
Foreign Exchange Risk	5.7	7.9	4.1	6.1	6.6	9.5	4.7	7.4	6.3	8.3	5.1	5.5
Commodity Risk	6.0	9.4	3.4	5.2	7.5	10.2	5.4	7.9	6.2	12.1	3.5	6.6
Equity Risk	0.1	0.4	–	0.1	0.1	0.2	–	0.1	0.1	1.4	–	0.2
<b>Total</b>	<b>44.8</b>	<b>55.3</b>	<b>38.9</b>	<b>40.1</b>	<b>43.4</b>	<b>51.8</b>	<b>35.6</b>	<b>45.8</b>	<b>37.8</b>	<b>47.2</b>	<b>29.8</b>	<b>45.2</b>

## Risk review continued

	6 months ended 30.06.23				6 months ended 31.12.22				6 months ended 30.06.22			
	Average \$million	High \$million	Low \$million	Half Year \$million	Average \$million	High \$million	Low \$million	Half Year \$million	Average \$million	High \$million	Low \$million	Half Year \$million
<b>Trading<sup>1</sup></b>												
Interest Rate Risk	11.3	14.1	7.3	10.7	8.4	12.7	5.5	10.2	7.8	11.4	5.3	9.8
Credit Spread Risk	7.2	9.7	5.9	7.2	7.3	12.0	5.6	6.2	6.2	12.2	3.4	9.3
Foreign Exchange Risk	5.7	7.9	4.1	6.1	6.6	9.5	4.7	7.4	6.3	8.3	5.1	5.5
Commodity Risk	6.0	9.4	3.4	5.2	7.5	10.2	5.4	7.9	6.2	12.1	3.5	6.6
Equity Risk	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>18.0</b>	<b>25.3</b>	<b>13.5</b>	<b>16.2</b>	<b>16.6</b>	<b>20.9</b>	<b>13.4</b>	<b>19.0</b>	<b>15.4</b>	<b>21.3</b>	<b>10.5</b>	<b>14.3</b>

	6 months ended 30.06.23				6 months ended 31.12.22				6 months ended 30.06.22			
	Average \$million	High \$million	Low \$million	Half Year \$million	Average \$million	High \$million	Low \$million	Half Year \$million	Average \$million	High \$million	Low \$million	Half Year \$million
<b>Non-trading<sup>2</sup></b>												
Interest Rate Risk	21.1	26.8	13.8	26.8	17.3	19.7	14.6	16.4	23.7	31.5	17.2	18.6
Credit Spread Risk	27.1	37.8	21.5	25.0	24.8	31.9	22.1	23.9	22.1	31.5	14.0	31.3
Equity Risk <sup>3</sup>	0.1	0.4	–	0.1	0.1	0.2	–	0.1	0.1	1.4	–	0.2
<b>Total</b>	<b>37.6</b>	<b>43.1</b>	<b>32.8</b>	<b>35.9</b>	<b>35.4</b>	<b>39.5</b>	<b>30.2</b>	<b>33.8</b>	<b>35.6</b>	<b>41.1</b>	<b>28.4</b>	<b>38.5</b>

1 The trading book for Market Risk is defined in accordance with the UK onshore Capital Requirements Regulation Part 3 Title I Chapter 3, which restricts the positions permitted in the trading book

2 The non-trading book VaR does not include syndicated loans

3 Non-trading book Equity Risk VaR includes only listed equities

### Average daily income earned from Market Risk-related activities<sup>1</sup>

The average level of total trading daily income in H1 2023 was \$8.5 million, 8 per cent higher than H2 2022 (\$7.9 million) and 21 per cent lower than H1 2022 (\$10.8 million). The decrease is largely attributable to lower income in Commodities in 2023 on the back of falling crude oil prices. A decline in Rates income was primarily due to refinements in valuation methodology for structured notes, implemented in Q4 2022 to align with market practices.

	6 months ended 30.06.23 \$million	6 months ended 31.12.22 \$million	6 months ended 30.06.22 \$million
<b>Trading</b>			
Interest Rate Risk	2.6	1.8	3.8
Credit Spread Risk	1.0	1.6	0.4
Foreign Exchange Risk	4.6	4.0	5.2
Commodity Risk	0.3	0.5	1.4
Equity Risk	–	–	–
<b>Total</b>	<b>8.5</b>	<b>7.9</b>	<b>10.8</b>

	6 months ended 30.06.23 \$million	6 months ended 31.12.22 \$million	6 months ended 30.06.22 \$million
<b>Non-trading</b>			
Interest Rate Risk	–	(0.1)	0.3
Credit Spread Risk	(0.9)	(0.1)	0.3
Equity Risk	0.1	–	–
<b>Total</b>	<b>(0.9)</b>	<b>(0.2)</b>	<b>0.7</b>

1 Reflects total product income which is the sum of client income and own account income. Includes elements of trading income, interest income and other income which are generated from Market Risk-related activities. Rates, XVA and Treasury income are included under Interest Rate Risk whilst Credit Trading income is included under Credit Spread Risk

### Counterparty credit risk

Counterparty Credit Risk is the potential for loss in the event of the default of a derivative counterparty, after taking into account the value of eligible collaterals and risk mitigation techniques. The Group's counterparty credit exposures are included in the Credit Risk section.

### Derivative financial instruments credit risk mitigation

The Group enters into master netting agreements, which in the event of default result in a single amount owed by or to the counterparty through netting the sum of the positive and negative mark-to-market values of applicable derivative transactions.

In addition, the Group enters into credit support annexes (CSAs) with counterparties where collateral is deemed a necessary or desirable mitigant to the exposure. Cash collateral includes collateral called under a variation margin process from counterparties if total uncollateralised mark-to-market exposure exceeds the threshold and minimum transfer amount specified in the CSA. With certain counterparties, the CSA is reciprocal and requires us to post collateral if the overall mark-to-market values of positions are in the counterparty's favour and exceed an agreed threshold.

### Liquidity and Funding risk

The Group monitors key liquidity metrics regularly on a country basis.

The following liquidity and funding Board Risk Appetite metrics define the maximum amount and type of risk that the Group is willing to assume in pursuit of its strategy: liquidity coverage ratio (LCR), liquidity stress survival horizons, external wholesale borrowing, advances-to-deposits ratio, and net stable funding ratio (NSFR).

#### Liquidity coverage ratio (LCR)

The Liquidity Coverage Ratio (LCR) aims to ensure that a bank has sufficient unencumbered high-quality liquid assets to meet its liquidity needs in a 30-calendar-day liquidity stress scenario. SC Bank is not regulated for LCR, however, the bank and material subsidiaries in the consolidation have standalone LCR ratios above 100 per cent at 30 June 2023, calculated under the Liquidity Coverage Ratio (CRR) part of the PRA rulebook.

#### Stressed coverage

Stress testing and scenario analysis are used to assess the financial and management capability to continue to operate effectively under extreme, but plausible, operating conditions and to understand the potential threats to the PLC Group's liquidity and other financial resources.

The PLC Group's internal liquidity stress testing framework covers the following stress scenarios:

- Standard Chartered-specific – which captures the liquidity impact from an idiosyncratic event affecting Standard Chartered only, with the rest of the market assumed to be operating normally;
- Market wide – Captures the liquidity impact from a market wide crisis affecting all participants in a country, region or globally, and;
- Combined – Assumes both Standard Chartered-specific and Market-wide events affecting the PLC Group simultaneously and hence is the most severe scenario.

All scenarios include, but are not limited to, modelled outflows for retail and wholesale funding, off-balance sheet funding risk, cross currency funding risk, concentration risk, intraday risk, franchise risk and risks associated with a deterioration of a firm's credit rating.

As of 30 June 2023, all entities within the Group follow a consistent approach and met their individual stress test requirements within risk appetite, and as a result, ensure Group has surplus liquidity on a consolidated basis.

#### External wholesale borrowing

This metric seeks to monitor and prevent excessive reliance on wholesale borrowing. Limits and targets are applied to branches and operating subsidiaries in the Group.

### Advances-to-deposits ratio

This is defined as the ratio of total loans and advances to customers relative to total customer accounts. An advances-to-deposits ratio of below 100 per cent demonstrates that customer deposits exceed customer loans as a result of the emphasis placed on generating a high level of funding from customers. Limits and targets are applied to all branches and operating subsidiaries in the Group.

Advances-to-deposits ratio has decreased by 3.6 per cent to 46.8 per cent, driven primarily by a 4 per cent increase in deposits from corporate customers. Deposits from customers as at 30 June 2023 are \$260,545 million (\$249,630 million as at 31 December 2022)

	30.06.23 \$million	31.12.22 \$million
Total loans and advances to customers <sup>1,2</sup>	121,966	125,807
Total customer accounts <sup>3</sup>	260,545	249,630
Advances-to-deposits ratio	46.8%	50.4%

1 Excludes reverse repurchase agreement and other similar secured lending of \$10,014 million and includes loans and advances to customers held at fair value through profit and loss of \$3,054 million

2 Loans and advances to customers for the purpose of the advances-to-deposits ratio excludes \$24,749 million of approved balances held with central banks, confirmed as repayable at the point of stress

3 Includes customer accounts held at fair value through profit or loss of \$8,169 million (31 December 2022: \$6,555 million)

### Net stable funding ratio (NSFR)

The NSFR is a balance sheet metric which requires institutions to maintain a stable funding profile in relation to an assumed duration of their assets and off-balance sheet activities over a one-year horizon. It is the ratio between the amount of available stable funding (ASF) and the amount of required stable funding (RSF). ASF factors are applied to balance sheet liabilities and capital, based on their perceived stability and the amount of stable funding they provide. Likewise, RSF factors are applied to assets and off-balance sheet exposures according to the amount of stable funding they require. SC Bank is not regulated for NSFR, however the bank and material subsidiaries in the consolidation have standalone NSFR ratios above 100 per cent at 30 June 2023.

### Liquidity pool

The liquidity value of the Group's LCR eligible liquidity pool at the reporting date was \$155 billion. The figures in the below table account for haircuts, currency convertibility and portability constraints, and therefore are not directly comparable with the consolidated balance sheet. A liquidity pool is held to offset stress outflows as defined in the Liquidity Coverage Ratio (CRR) part of the PRA rulebook.

Group

	30.06.23			
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Total \$million
<b>Level 1 securities</b>				
Cash and balances at central banks	35,826	2,133	60,950	98,909
Central banks, governments/public sector entities	12,530	2,091	19,412	34,033
Multilateral development banks and international organisations	212	1,019	11,229	12,460
Other	1,283	33	387	1,703
<b>Total Level 1 securities</b>	<b>49,851</b>	<b>5,276</b>	<b>91,978</b>	<b>147,105</b>
Level 2A securities	1,876	202	5,302	7,380
Level 2B securities	22	46	739	807
<b>Total LCR eligible assets</b>	<b>51,749</b>	<b>5,524</b>	<b>98,019</b>	<b>155,292</b>

	31.12.22			
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Total \$million
<b>Level 1 securities</b>				
Cash and balances at central banks	28,551	1,066	36,522	66,139
Central Banks, governments/public sector entities	13,811	2,712	23,680	40,203
Multilateral development banks and international organisations	334	837	10,843	12,014
Other	37	7	1,430	1,474
<b>Total Level 1 securities</b>	<b>42,733</b>	<b>4,622</b>	<b>72,475</b>	<b>119,830</b>
Level 2A securities	4,044	139	6,033	10,216
Level 2B securities	71	21	1,103	1,195
<b>Total LCR eligible assets</b>	<b>46,848</b>	<b>4,782</b>	<b>79,611</b>	<b>131,241</b>

### Liquidity analysis of the Group's balance sheet (reviewed)

#### Contractual maturity of assets and liabilities

The following table presents assets and liabilities by maturity groupings based on the remaining period to the contractual maturity date as at the balance sheet date on a discounted basis. Contractual maturities do not necessarily reflect actual repayments or cashflows.

Within the tables below, cash and balances with central banks, interbank placements and investment securities that are fair value through other comprehensive income are used by the Group principally for actions taken to manage liquidity.

As at the reporting date, assets remain predominantly short-dated, with 70 per cent maturing in one year. The less than three-month cumulative net funding position remained broadly in line with year end. In practice, these deposits are recognised as stable and have behavioural profiles that extend beyond their contractual maturities.

## Risk review continued

### Group

30.06.23

	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>									
Cash and balances at central banks	76,286	–	–	–	–	–	–	3,317	79,603
Derivative financial instruments	19,290	10,818	7,331	5,823	3,643	5,129	5,670	3,221	60,925
Loans and advances to banks <sup>1,2</sup>	19,711	15,452	10,444	3,910	2,344	1,809	1,972	822	56,464
Loans and advances to customers <sup>1,2</sup>	64,479	31,578	15,913	9,832	9,862	11,275	16,956	33,453	193,348
Investment securities <sup>1</sup>	5,756	11,000	10,257	9,403	3,799	11,533	29,408	39,882	121,038
Other assets	15,092	22,693	717	205	552	10	39	5,526	44,834
Due from subsidiary undertakings and other related parties	4,891	–	–	–	–	–	–	–	4,891
<b>Total assets</b>	<b>205,505</b>	<b>91,541</b>	<b>44,662</b>	<b>29,173</b>	<b>20,200</b>	<b>29,756</b>	<b>54,045</b>	<b>86,221</b>	<b>561,103</b>
<b>Liabilities</b>									
Deposits by banks <sup>1,3</sup>	25,072	2,203	3,318	570	37	952	1,244	2	33,398
Customer accounts <sup>1,4</sup>	225,958	43,228	16,967	5,901	4,064	4,945	2,482	209	303,754
Derivative financial instruments	17,864	11,114	7,300	6,317	3,476	5,208	6,551	4,506	62,336
Senior debt <sup>5</sup>	465	1,586	755	920	1,066	3,485	5,937	2,223	16,437
Other debt securities in issue <sup>1</sup>	3,211	5,207	9,014	4,798	1,613	2,167	3,184	3,763	32,957
Due to parent companies and other related undertakings	24,308	–	–	–	–	–	–	–	24,308
Other liabilities	17,476	18,617	108	538	69	1,420	1,181	3,802	43,211
Subordinated liabilities and other borrowed funds	–	–	9	–	11	20	54	11,343	11,437
<b>Total liabilities</b>	<b>314,354</b>	<b>81,955</b>	<b>37,471</b>	<b>19,044</b>	<b>10,336</b>	<b>18,197</b>	<b>20,633</b>	<b>25,848</b>	<b>527,838</b>
<b>Net liquidity gap</b>	<b>(108,849)</b>	<b>9,586</b>	<b>7,191</b>	<b>10,129</b>	<b>9,864</b>	<b>11,559</b>	<b>33,412</b>	<b>60,373</b>	<b>33,265</b>

1 Loans and advances, investment securities, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value through profit or loss, see Note 11 Financial instruments (pages 62 to 83)

2 Loans and advances include reverse repurchase agreements and other similar secured lending of \$78.1 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of \$8.5 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of \$43.2 billion

5 Senior debt maturity profiles are based upon contractual maturity, which may be later than call options over the debt held by the Group

## Risk review continued

31.12.22

	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>									
Cash and balances at central banks	47,025	–	–	–	–	–	–	3,506	50,531
Derivative financial instruments	24,108	9,640	7,304	3,704	2,830	5,225	7,495	4,744	65,050
Loans and advances to banks <sup>1,2</sup>	18,066	12,200	9,227	4,253	3,588	2,577	972	635	51,518
Loans and advances to customers <sup>1,2</sup>	59,599	44,981	20,247	6,999	7,248	9,746	19,212	33,216	201,248
Investment securities	6,620	13,802	12,948	6,868	5,624	10,726	29,709	42,028	128,325
Investment in subsidiary undertaking	–	–	–	–	–	–	–	–	–
Other assets	12,388	28,182	1,066	170	529	89	23	5,228	47,675
Due from subsidiary undertakings and other related parties	6,387	–	–	–	–	–	–	–	6,387
<b>Total assets</b>	<b>174,193</b>	<b>108,805</b>	<b>50,792</b>	<b>21,994</b>	<b>19,819</b>	<b>28,363</b>	<b>57,411</b>	<b>89,357</b>	<b>550,734</b>
<b>Liabilities</b>									
Deposits by banks <sup>1,3</sup>	24,747	1,858	2,163	821	329	1,236	112	6	31,272
Customer accounts <sup>1,4</sup>	216,605	39,600	17,394	8,766	6,107	5,510	1,350	155	295,487
Derivative financial instruments	22,946	13,624	7,310	4,059	3,085	5,880	6,689	5,265	68,858
Senior debt	96	308	234	395	399	2,481	5,050	3,704	12,667
Other debt securities in issue <sup>1</sup>	2,686	4,870	7,369	6,297	2,710	342	4,413	3,191	31,878
Due to parent companies and other related undertakings	28,102	–	–	–	–	–	–	–	28,102
Other liabilities	12,243	19,257	581	63	46	212	792	1,864	35,058
Subordinated liabilities and other borrowed funds	2,000	–	9	–	11	21	55	11,173	13,269
<b>Total liabilities</b>	<b>309,425</b>	<b>79,517</b>	<b>35,060</b>	<b>20,401</b>	<b>12,687</b>	<b>15,682</b>	<b>18,461</b>	<b>25,358</b>	<b>516,591</b>
<b>Net liquidity gap</b>	<b>(135,232)</b>	<b>29,288</b>	<b>15,732</b>	<b>1,593</b>	<b>7,132</b>	<b>12,681</b>	<b>38,950</b>	<b>63,999</b>	<b>34,143</b>

1 Loans and advances, investment securities, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value through profit or loss, see Note 11 Financial instruments (pages 62 to 83)

2 Loans and advances include reverse repurchase agreements and other similar secured lending of \$78.8 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of \$6.5 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of \$45.8 billion

5 Senior debt maturity profiles are based upon contractual maturity, which may be later than call options over the debt held by the Group



### Behavioural maturity of financial assets and liabilities

The cashflows presented in the previous section reflect the cashflows that will be contractually payable over the residual maturity of the instruments. However, contractual maturities do not necessarily reflect the timing of actual repayments or cashflow. In practice, certain assets and liabilities behave differently from their contractual terms, especially for short-term customer accounts, credit card balances and overdrafts, which extend to a longer period than their contractual maturity. On the other hand, mortgage balances tend to have a shorter repayment period than their contractual maturity date. Expected customer behaviour is assessed and managed on a country basis using qualitative and quantitative techniques, including analysis of observed customer behaviour over time.

### Maturity of financial liabilities on an undiscounted basis

The following table analyses the contractual cashflows payable for the Group's financial liabilities by remaining contractual maturities on an undiscounted basis. The financial liability balances in the table below will not agree to the balances reported in the consolidated balance sheet as the table incorporates all contractual cashflows, on an undiscounted basis, relating to both principal and interest payments. Derivatives not treated as hedging derivatives are included in the 'On demand' time bucket and not by contractual maturity.

Within the 'More than five years and undated' maturity band are undated financial liabilities, the majority of which relate to subordinated debt, on which interest payments are not included as this information would not be meaningful, given the instruments are undated. Interest payments on these instruments are included within the relevant maturities up to five years.

#### Group

	30.06.23								
	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
Deposits by banks	25,039	2,211	3,368	585	39	961	1,244	5	33,452
Customer accounts	226,412	43,542	17,270	6,086	4,217	5,105	2,732	317	305,681
Derivative financial instruments <sup>1</sup>	60,438	4	–	563	21	197	418	695	62,336
Debt securities in issue	3,724	6,825	9,987	5,888	2,838	5,066	9,929	5,479	49,736
Due to parent companies and other related undertakings	24,308	–	–	–	–	–	–	–	24,308
Subordinated liabilities and other borrowed funds	47	103	142	123	142	557	1,671	18,096	20,881
Other liabilities	14,992	19,805	108	538	69	1,420	1,181	2,546	40,659
<b>Total liabilities</b>	<b>354,960</b>	<b>72,490</b>	<b>30,875</b>	<b>13,783</b>	<b>7,326</b>	<b>13,306</b>	<b>17,175</b>	<b>27,138</b>	<b>537,053</b>
	31.12.22								
	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
Deposits by banks	24,752	1,864	2,192	825	342	1,258	112	8	31,353
Customer accounts	216,983	39,828	17,625	8,934	6,297	5,585	1,396	158	296,806
Derivative financial instruments <sup>1</sup>	66,772	28	5	6	6	763	547	731	68,858
Debt securities in issue	2,801	5,204	7,811	6,836	3,257	2,329	10,072	11,544	49,854
Due to parent companies and other related undertakings	28,102	–	–	–	–	–	–	–	28,102
Subordinated liabilities and other borrowed funds	2,074	64	127	135	127	499	1,496	16,038	20,560
Other liabilities	10,960	20,374	577	61	44	203	650	942	33,811
<b>Total liabilities</b>	<b>352,444</b>	<b>67,362</b>	<b>28,337</b>	<b>16,797</b>	<b>10,073</b>	<b>10,637</b>	<b>14,273</b>	<b>29,421</b>	<b>529,344</b>

<sup>1</sup> Derivatives are on a discounted basis

### Interest Rate Risk in the Banking Book

The following table provides the estimated impact to a hypothetical base case projection of the Group's earnings under the following scenarios:

- A 50 basis point parallel interest rate shock (up and down) to the current market-implied path of rates, across all yield curves
- A 100 basis point parallel interest rate shock (up) to the current market-implied path of rates, across all yield curves

These interest rate shock scenarios assume all other economic variables remain constant. The sensitivities shown represent the estimated change to a hypothetical base case projected net interest income (NII), plus the change in interest rate implied income and expense from FX swaps used to manage banking book currency positions, under the different interest rate shock scenarios.

The base case projected NII is based on the current market-implied path of rates and forward rate expectations. The NII sensitivities below stress this base case by a further 50 or 100bps. Actual observed interest rate changes will lag behind, and likely deviate from, current market expectation. Accordingly, the shocked NII sensitivity does not represent a forecast of the Group's net interest income.

The interest rate sensitivities are indicative stress tests and based on simplified scenarios, estimating the aggregate impact of an unanticipated, instantaneous parallel shock across all yield curves over a one-year horizon, including the time taken to implement changes to pricing before becoming effective. The assessment assumes that the size and mix of the balance sheet remain constant and that there are no specific management actions in response to the change in rates. No assumptions are made in relation to the impact on credit spreads in a changing rate environment.

Significant modelling and behavioural assumptions are made regarding scenario simplification, market competition, pass-through rates, asset and liability re-pricing tenors, and price flooring. The assumptions that interest rates of all currencies and maturities shift by the same amount concurrently, and that no actions are taken to mitigate the impacts arising from this are considered unlikely. Reported sensitivities will vary over time due to a number of factors including changes in balance sheet composition, customer behaviour and risk management strategy, the interest rates assumed in setting the base case, and other market conditions. Therefore, while the NII sensitivities are a relevant measure of the Group's interest rate exposure, they should not be considered an income or profit forecast.

30.06.23				
Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:	USD bloc \$million	SGD bloc \$million	Other currency bloc \$million	Total \$million
+ 50 basis points	100	40	140	280
- 50 basis points	(100)	(40)	(140)	(280)
+ 100 basis points	200	90	280	570
31.12.22				
Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:	USD bloc \$million	SGD bloc \$million	Other currency bloc \$million	Total \$million
+ 50 basis points	70	40	120	230
- 50 basis points	(70)	(40)	(110)	(220)
+ 100 basis points	130	90	240	460

As at 30 June 2023, the Group estimates the one-year impact of an instantaneous, parallel increase across all yield curves of 50 basis points to increase projected NII by \$280 million. The equivalent impact from a parallel decrease of 50 basis points would result in a reduction in projected NII of \$280 million. The Group estimates the one-year impact of an instantaneous, parallel increase across all yield curves of 100 basis points to increase projected NII by \$570 million.

The benefit from rising interest rates is primarily from reinvesting at higher yields and from assets re-pricing faster and to a greater extent than deposits. NII sensitivity in all scenarios has increased versus 31 December 2022, which is a result of the ongoing roll-down of short-term USD hedges.

### Operational and Technology Risk

Operational and Technology Risk is defined as the “Potential for loss from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks)”. Operational risk may occur anywhere in the Group, including third-party processes.

#### Operational and Technology Risk profile

Risk management practices help the business grow safely and ensures governance and management of Operational and Technology Risk through the delivery and embedding of effective frameworks and policies, together with continuous oversight and assurance. Managing Operational and Technology Risk well makes the Group more efficient and enables it to offer better and safer service to its customers. The Group’s Operational and Technology Risk Management Framework is designed to enable it to govern, identify, measure, monitor and test, manage and report on its Operational and Technology risk. The Group continues to ensure the Operational and Technology Risk Framework supports the business and functions in effectively managing risk and controls within risk appetite to meet their strategic objectives.

Overall, the Group’s Operational Risk profile has remained stable with the quality of risk understanding and identification improving. The Group continues to demonstrate progress in visibility of risks and risk management through the ongoing implementation of a simplified and standardised risk taxonomy. The risk taxonomy implementation will help ensure risks are consistently identified, described and assessed as well as enable improved risk aggregation and reporting.

Operational and Technology Risk continues to be heightened in areas such Information and Cyber Security, Data Management and Transaction Processing which are subject to ongoing control enhancement programmes. Other key areas of focus are Change, Systems Health/Technology Risk, Third Party Risk, Financial Crime and Regulatory Compliance. The Group is implementing controls which are designed to address these risks and significant efforts continue to enhance the control environment.

The Group continues to monitor and manage operational and technology risks associated with the external environment such as geopolitical factors and the increasing risk of cyber-attacks. Digitalisation, regulatory expectations, and the changing technology landscape remain key emerging areas on the risk radar for the Group, to keep pace with new business developments whilst ensuring risk and control frameworks evolve accordingly. The Group continues to strengthen its risk management processes in order to understand the full spectrum of risks in the operating environment, enhance its defences and improve resiliency.

#### Other principal risks

Losses arising from operational failures for other principal and integrated risks are reported as operational losses. Operational losses do not include Operational Risk-related credit impairments.

# Capital review

## Capital ratios

The Group's capital and leverage position is managed within the Court-approved Risk Appetite framework. The Group is well capitalised with high levels of loss-absorbing capacity.

### Capital ratios

	30.06.23	31.12.22 (Restated) <sup>1</sup>
CET1	12.6%	12.7%
Tier 1 capital	15.7%	15.8%
Total Capital	22.6%	23.1%

1 The 2022 comparatives have been restated to correctly reflect in line with adjustment posted for credit risk mitigation

## Capital base<sup>1</sup> (reviewed)

	30.06.23 \$million	31.12.22 \$million
CET1 capital instruments and reserves		
Capital instruments and the related share premium accounts	20,893	20,893
Of which: share premium accounts	296	296
Retained earnings	10,876	10,467
Accumulated other comprehensive income (and other reserves)	(7,154)	(6,965)
Non-controlling interests (amount allowed in consolidated CET1)	153	145
Independently reviewed half-year profits / audited year-end profits	1,961	2,410
Foreseeable dividends	(157)	(189)
<b>CET1 capital before regulatory adjustments</b>	<b>26,572</b>	<b>26,761</b>
CET1 regulatory adjustments		
Additional value adjustments (prudential valuation adjustments)	(514)	(626)
Intangible assets (net of related tax liability)	(3,893)	(4,002)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	(75)	(66)
Fair value reserves related to net losses on cash flow hedges	308	513
Deduction of amounts resulting from the calculation of excess expected loss	(622)	(627)
Net gains on liabilities at fair value resulting from changes in own credit risk	165	26
Defined-benefit pension fund assets	(94)	(69)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	(55)	(74)
Exposure amounts which could qualify for risk weighting of 1250%	(42)	(61)
Other regulatory adjustments to CET1 capital <sup>2</sup>	(52)	(29)
<b>Total regulatory adjustments to CET1</b>	<b>(4,874)</b>	<b>(5,015)</b>
<b>CET1 capital</b>	<b>21,698</b>	<b>21,746</b>
Additional Tier 1 capital (AT1) instruments	5,427	5,423
AT1 regulatory adjustments	(20)	(20)
<b>Tier 1 capital</b>	<b>27,105</b>	<b>27,149</b>
Tier 2 capital instruments	11,781	12,469
Tier 2 regulatory adjustments	(30)	(30)
<b>Tier 2 capital</b>	<b>11,751</b>	<b>12,439</b>
<b>Total capital</b>	<b>38,856</b>	<b>39,588</b>
<b>Total risk-weighted assets (unreviewed)<sup>3</sup></b>	<b>172,203</b>	<b>171,723</b>

1 Capital base is prepared on the regulatory scope of consolidation

2 Retained earnings include IFRS9 capital relief (Transitional) of \$(52)m

3 The 2022 comparatives have been restated to correctly reflect credit risk mitigation

## Leverage ratio

	30.06.23 \$million	31.12.22 \$million
Capital and total exposures		
Tier 1 capital	27,105	27,149
Total leverage ratio exposures	547,524	562,076
<b>Leverage ratio (unreviewed)<sup>1</sup></b>	<b>5.0%</b>	<b>4.8%</b>

1 The 2022 comparatives have been restated to correctly reflect in line with adjustment posted for credit risk mitigation

## Statement of directors' responsibilities

We confirm that to the best of our knowledge:

- The condensed consolidated interim financial statements have been prepared in accordance with United Kingdom (UK) adopted International Accounting Standard (IAS 34) and IAS 34 as adopted by the European Union (EU) .

By order of the Court



**Andy Halford**  
Director

28 July 2023

# Independent review report to Standard Chartered Bank

## Conclusion

We have been engaged by Standard Chartered Bank (the 'Company' or the 'Group') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim balance sheet, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim cash flow statement, the related Notes 1 to 27 and the risk and capital disclosures marked as 'reviewed' from page 13 to 42 (together 'the condensed consolidated interim financial statements'). We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements in the half-yearly financial report for the six months ended 30 June 2023 are not prepared, in all material respects, in accordance with the accounting policies outlined in Note 1, which comply with United Kingdom (UK) adopted International Accounting Standards 34, 'Interim Financial Reporting' (IAS 34) and IAS 34 as adopted by the European Union (EU).

## Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council (FRC). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards and international financial reporting standards as adopted by the EU.

## Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

## Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the accounting policies set out in Note 1.

In preparing the half-yearly financial report, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

## Use of our report

This report is made solely to the company in accordance with guidance contained in ISRE 2410 (UK) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the FRC. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

*Ernst & Young LLP*

Ernst & Young LLP  
London

28 July 2023

# Condensed Consolidated interim income statement

For the six months ended 30 June 2023

	Notes	6 months ended 30.06.23 \$million	6 months ended 30.06.22 \$million
Interest income		8,533	3,555
Interest expense		(6,254)	(1,389)
<b>Net interest income</b>	3	<b>2,279</b>	<b>2,166</b>
Fees and commission income		1,572	1,474
Fees and commission expense		(391)	(290)
<b>Net fees and commission income</b>	4	<b>1,181</b>	<b>1,184</b>
Net trading income	5	2,323	1,867
Other operating income	6	388	4
<b>Operating income</b>		<b>6,171</b>	<b>5,221</b>
Staff costs		(3,180)	(2,894)
Premises costs		(116)	(109)
General administrative expenses		98	53
Depreciation and amortisation		(329)	(306)
<b>Operating expenses</b>		<b>(3,527)</b>	<b>(3,256)</b>
<b>Operating profit before impairment losses and taxation</b>		<b>2,644</b>	<b>1,965</b>
Credit impairment	7	22	167
Other impairment	8	(14)	(10)
Profit from associates and joint ventures		(9)	(4)
<b>Profit before taxation</b>		<b>2,643</b>	<b>2,118</b>
Taxation	9	(667)	(546)
<b>Profit for the period</b>		<b>1,976</b>	<b>1,572</b>
<b>Profit attributable to:</b>			
Non-controlling interests		12	12
Parent company shareholders		1,964	1,560
<b>Profit for the period</b>		<b>1,976</b>	<b>1,572</b>

The notes on pages 51 to 98 form an integral part of these financial statements.

# Condensed Consolidated interim statement of comprehensive income

For the six months ended 30 June 2023

	Notes	6 months ended 30.06.23 \$million	6 months ended 30.06.22 \$million
<b>Profit for the year</b>		<b>1,976</b>	<b>1,572</b>
<b>Other comprehensive loss</b>			
<b>Items that will not be reclassified to income statement:</b>		<b>(102)</b>	<b>90</b>
Own credit (loss)/gain on financial liabilities designated at fair value through profit or loss		<b>(139)</b>	<b>88</b>
Equity instruments at fair value through other comprehensive income		<b>11</b>	<b>(73)</b>
Actuarial gains on retirement benefit obligations	23	<b>32</b>	<b>75</b>
Taxation relating to components of other comprehensive income		<b>(6)</b>	<b>-</b>
<b>Items that may be reclassified subsequently to income statement:</b>		<b>(112)</b>	<b>(2,207)</b>
Exchange differences on translation of foreign operations:			
Net losses taken to equity		<b>(510)</b>	<b>(985)</b>
Net (losses)/gains on net investment hedges		<b>(6)</b>	<b>66</b>
Debt instruments at fair value through other comprehensive income:			
Net valuation gain/(loss) taken to equity		<b>165</b>	<b>(998)</b>
Reclassified to income statement		<b>68</b>	<b>(2)</b>
Net impact of expected credit losses		<b>(41)</b>	<b>(7)</b>
Cash flow hedges:			
Net movement in cash flow hedge reserve <sup>1</sup>		<b>221</b>	<b>(434)</b>
Taxation relating to components of other comprehensive income		<b>(9)</b>	<b>153</b>
<b>Other comprehensive loss for the year, net of taxation</b>		<b>(214)</b>	<b>(2,117)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>1,762</b>	<b>(545)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Non-controlling interests		<b>(16)</b>	<b>(37)</b>
Parent company shareholders		<b>1,778</b>	<b>(508)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>1,762</b>	<b>(545)</b>

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



# Condensed consolidated interim balance sheet

As at 30 June 2023

	Notes	30.06.23 \$million	31.12.22 \$million
<b>Assets</b>			
Cash and balances at central banks	11	79,603	50,531
Financial assets held at fair value through profit or loss	11	92,437	82,554
Derivative financial instruments	11, 12	60,925	65,050
Loans and advances to banks	11	24,240	27,383
Loans and advances to customers	11	153,675	158,126
Investment securities	11	100,498	113,028
Other assets	16	33,912	37,641
Due from subsidiary undertakings and other related parties		4,891	6,387
Current tax assets		418	446
Prepayments and accrued income		2,419	2,172
Interests in associates and joint ventures		77	143
Goodwill and intangible assets	14	3,987	4,052
Property, plant and equipment	15	1,015	994
Deferred tax assets		695	741
Assets classified as held for sale	17	2,311	1,486
<b>Total assets</b>		<b>561,103</b>	<b>550,734</b>
<b>Liabilities</b>			
Deposits by banks	11	23,333	24,150
Customer accounts	11	252,376	243,075
Repurchase agreements and other similar secured borrowing	13	11,002	1,991
Financial liabilities held at fair value through profit or loss	11	64,994	67,408
Derivative financial instruments	11, 12	62,336	68,858
Debt securities in issue	11	39,969	36,982
Other liabilities	18	31,293	25,925
Due to parent companies, subsidiary undertakings & other related parties		24,308	28,102
Current tax liabilities		600	556
Accruals and deferred income		3,976	3,890
Subordinated liabilities and other borrowed funds	21	11,437	13,269
Deferred tax liabilities		545	577
Provisions for liabilities and charges		273	335
Retirement benefit obligations	23	139	166
Liabilities included in disposal groups held for sale	17	1,257	1,307
<b>Total liabilities</b>		<b>527,838</b>	<b>516,591</b>
<b>Equity</b>			
Share capital and share premium account	22	21,643	22,393
Other reserves		(7,154)	(6,965)
Retained earnings		12,931	12,801
<b>Total parent company shareholders' equity</b>		<b>27,420</b>	<b>28,229</b>
Other equity instruments	22	4,742	4,750
<b>Total equity excluding non-controlling interests</b>		<b>32,162</b>	<b>32,979</b>
Non-controlling interests		1,103	1,164
<b>Total equity</b>		<b>33,265</b>	<b>34,143</b>
<b>Total equity and liabilities</b>		<b>561,103</b>	<b>550,734</b>

The notes on pages 51 to 98 form an integral part of these financial statements

These financial statements were approved by the Court of Directors and authorised for issue on 28 July 2023 and signed on its behalf by:



Andy Halford, Director

# Condensed consolidated interim statement of changes in equity

For the six months ended 30 June 2023

	Share capital and share premium account \$million	Capital and merger reserves \$million	Own credit adjustment reserve \$million	Fair value through other comprehensive income reserve – debt \$million	Fair value through other comprehensive income reserve – equity \$million	Cash flow hedge reserve \$million	Translation reserve \$million	Retained earnings \$million	Parent company shareholders' equity \$million	Other equity instruments \$million	Non-controlling interests \$million	Total \$million
<b>As at 1 January 2022</b>	22,393	40	(3)	112	175	(11)	(4,544)	11,278	29,440	4,749	1,248	35,437
Profit for the period	–	–	–	–	–	–	–	1,560	1,560	–	12	1,572
Other comprehensive income/(loss)	–	–	76	(926)	(46)	(362)	(879)	69 <sup>2</sup>	(2,068)	–	(49)	(2,117)
Distributions	–	–	–	–	–	–	–	–	–	–	(52)	(52)
Redemption of other equity instruments	–	–	–	–	–	–	–	–	–	(999)	–	(999)
Share option expenses	–	–	–	–	–	–	–	100	100	–	–	100
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	(170)	(170)	–	–	(170)
Deemed distribution to parent <sup>3</sup>	–	–	–	–	–	–	–	(107)	(107)	–	–	(107)
Other movements	–	–	–	–	–	–	12 <sup>4</sup>	20 <sup>5</sup>	32	–	32 <sup>6</sup>	64
<b>As at 30 June 2022</b>	22,393	40	73	(814)	129	(373)	(5,411)	12,750	28,787	3,750	1,191	33,728
Profit/(loss) for the period	–	–	–	–	–	–	–	810	810	–	(30)	780
Other comprehensive (loss)/income	–	–	(99)	(37)	37	(140)	(370)	(51) <sup>2</sup>	(660)	–	11	(649)
Distributions	–	–	–	–	–	–	–	–	–	–	(35)	(35)
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	–	1,000	–	1,000
Share option expense, net of taxation	–	–	–	–	–	–	–	52	52	–	–	52
Dividends on ordinary shares	–	–	–	–	–	–	–	(575)	(575)	–	–	(575)
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	(141)	(141)	–	–	(141)
Deemed distribution to parent <sup>3</sup>	–	–	–	–	–	–	–	(52)	(52)	–	–	(52)
Other movements	–	–	–	–	–	–	–	8 <sup>5</sup>	8	–	27 <sup>6</sup>	35
<b>As at 31 December 2022</b>	22,393	40	(26)	(851)	166	(513)	(5,781)	12,801	28,229	4,750	1,164	34,143
Profit for the period	–	–	–	–	–	–	–	1,964	1,964	–	12	1,976
Other comprehensive (loss)/income	–	–	(139)	199	2	205	(497)	44 <sup>2</sup>	(186)	–	(28)	(214)
Distributions	–	–	–	–	–	–	–	–	–	–	(54)	(54)
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	–	992	–	992
Redemption of other equity instruments	–	–	–	–	–	–	–	–	–	(1,000)	–	(1,000)
Share option expenses	–	–	–	–	–	–	–	93	93	–	–	93
Dividends on ordinary shares	–	–	–	–	–	–	–	(1,661)	(1,661)	–	–	(1,661)
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	(207)	(207)	–	–	(207)
Deemed distribution to parent <sup>3</sup>	–	–	–	–	–	–	–	(88)	(88)	–	–	(88)
Share buy-back	(750)	–	–	–	–	–	–	–	(750)	–	–	(750)
Other movements <sup>7</sup>	–	–	–	–	(42)	–	83	(15)	26	–	9 <sup>8</sup>	35
<b>As at 30 June 2023</b>	21,643	40	(165)	(652)	126	(308)	(6,195)	12,931	27,420	4,742	1,103	33,265

1 Includes capital reserve of \$35 million, capital redemption reserve of \$5 million

2 Comprises actuarial (loss)/gain, net of taxation on Group defined benefit schemes

3 Relates to deemed capital contribution from parent company arising from share-based payment net of taxation of \$88 million (2022: \$159 million deemed capital contribution arising from share-based payment net of taxation)

4 Movement related to Translation adjustment

5 Movement relating to \$21 million NCI on Power2SME Pte limited and \$8 million on Currency fair during the half year ending Dec 2022

6 Movements related to NCI from Trust Bank Singapore Limited (\$23 million) and Power2SME Pte limited (\$9 million) during the half year ending Jun 2022 and further movement in NCI from Trust Bank Singapore Limited (\$24 million) and Zodia Markets Holdings Limited (\$3 million) during the half year ending Dec 2022

7 Movements in Reserves on account of change in ownership

8 Movements related to non-controlling interest from Trust Bank Singapore Ltd – \$17 million offset by \$7 million release of non-controlling interest due to change in ownership

Note 22 includes a description of each reserve.

The notes on pages 51 to 98 form an integral part of these financial statements

# Condensed consolidated interim cash flow statement

For the six months ended 30 June 2023

	Notes	6 months ended 30.06.23 \$million	6 months ended 30.06.22 \$million
<b>Cash flows from operating activities:</b>			
Profit before taxation		2,643	2,118
Adjustments for non-cash items and other adjustments included within income statement		166	376
Change in operating assets		3,085	(24,708)
Change in operating liabilities		18,308	26,465
Contributions to defined benefit schemes		(16)	(12)
UK and overseas taxes paid		(580)	(264)
<b>Net cash from operating activities</b>		<b>23,606</b>	<b>3,975</b>
<b>Cash flows from investing activities:</b>			
Internally generated Capitalised Software	14	(223)	(295)
Purchase of property, plant and equipment	15	(31)	(54)
Disposal of property, plant and equipment	15	10	11
Acquisition of investment in subsidiaries, associates, and joint ventures, net of cash acquired		(24)	(4)
Dividends received from subsidiaries, associates and joint ventures		–	6
Disposal of investment in subsidiaries, associates, and joint ventures, net of cash acquired		481	–
Purchase of investment securities		(74,671)	(85,953)
Disposal and maturity of investment securities		87,581	75,494
<b>Net cash from/(used in) investing activities</b>		<b>13,123</b>	<b>(10,795)</b>
<b>Cash flows from financing activities:</b>			
Redemption of preference share capital	22	(750)	–
Premises and equipment lease liability principal payment		(49)	(51)
Issue of Additional Tier 1 capital, net of expenses	22	992	–
Redemption of Tier 1 capital	22	(1,000)	(999)
Gross proceeds from issue of subordinated liabilities		–	750
Interest paid on subordinated liabilities		(281)	(184)
Repayment of subordinated liabilities		(2,000)	(48)
Proceeds from issue of senior debts		3,157	2,476
Repayment of senior debts		(1,048)	(849)
Interest paid on senior debts		(101)	(8)
Net cash inflow from non-controlling interests		10	32
Distributions and Dividends paid to non-controlling interests, preference shareholders and AT1 securities		(261)	(222)
Dividends paid to ordinary shareholders		(1,661)	–
<b>Net cash (used in)/from financing activities:</b>		<b>(2,992)</b>	<b>897</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>33,737</b>	<b>(5,923)</b>
Cash and cash equivalents at beginning of the period		71,070	81,427
Effect of exchange rate movements on cash and cash equivalents		(1,371)	(2,085)
<b>Cash and cash equivalents at end of the period</b>		<b>103,436</b>	<b>73,419</b>

For Group, Interest received was \$8,675 million (30.06.22: \$2,850 million), interest paid was \$5,712 million (30.06.22: \$1,242 million).

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# Notes to the financial statements

## 1. Accounting policies

### Statement of compliance

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

These interim financial statements have been prepared in accordance with United Kingdom (UK) adopted International Accounting Standard 34 (IAS 34), 'Interim Financial Reporting' and IAS 34 as adopted by the European Union (EU). They should be read in conjunction with the 2022 Annual Report which was prepared in accordance with the requirements of the Companies Act 2006 and with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU IFRS).

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

- a) Risk review: Disclosures marked as 'reviewed' from the start of the Credit Risk section to the end of Other principal risks in the same section; and
- b) Capital review: tables marked as 'reviewed' from the start of 'Capital ratios' to the end of 'leverage ratio', excluding risk-weighted assets (RWA)

### Standards applied during the half-year to 30 June 2023

There were no new standards or amendments to standards that had an effect on these interim condensed financial statements.

### Basis of preparation

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

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

### Significant accounting estimates and judgements

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. The significant judgements made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those applied to the consolidated financial statements as at, and for, the year ended 31 December 2022. Summaries of the Group's material accounting policies are included throughout the 2022 Annual Report.

### Comparatives

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

- Note 2 Segmental information

### Going concern

These financial statements were approved by the Court of directors on 28 July 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 current macroeconomic environment, recent market events and geopolitical headwinds, including:

- A 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 revised budget.
- Consideration of stress testing performed by management, including, credit impact and short-term liquidity shocks across the PLC Group's footprint markets (which includes the Group) to ensure that the Group has sufficient capital to withstand this shock, under a range of scenarios, the results of these stress tests demonstrate that the PLC 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 PLC Group, including the capital and leverage ratios, and ICAAP which summarises the PLC Group's capital and risk assessment processes, assesses its capital requirements and the adequacy of resources to meet them. Further, PLC Group's funding and liquidity was considered in the context of the risk appetite metrics, including the PLC Group's ADR and LCR ratios

### 1. Accounting policies continued

- The PLC Group's Internal Liquidity Adequacy Assessment Process (ILAAP), which considers the PLC 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 PLC Group's 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 PLC Group's debt
- A detailed review of all PLC Group's 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 28 July 2023. For this reason, the Group continues to adopt the going concern basis of accounting for preparing the financial statements.

### Change in accounting policies

The Group has changed its accounting policy regarding the determination of its portfolio of Investment Securities held at amortised cost and Debt securities and other eligible bills, other than those included within financial instruments held at fair value through profit or loss. Refer to Note 11 Financial Instruments (page 62).

## 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.

The following should also be noted:

- Transactions and funding between the segments are carried out on an arm's-length basis
- Corporate Centre costs represent stewardship and central management services roles and activities that are not directly attributable to business or country operations
- Treasury markets, joint ventures and associate investments are managed in the regions and are included within the applicable region. However, they are not managed directly by a client segment and are therefore included in the Central & other items segment
- In addition to treasury activities, Corporate Centre costs and other Group related functions, Central & other items for regions includes globally run businesses or activities that are managed by the client segments but not directly by geographic management. These include Principal Finance and Portfolio Management
- The Group allocated central costs (excluding Corporate Centre costs) relating to client segments and geographic regions using appropriate business drivers (such as in proportion to the direct cost base of each segment before allocation of indirect costs) and these are reported within operating expenses

### 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.

Restructuring gain of \$8 million primarily relates to the exits in AME. The Group is also reclassifying the movement in Debit Valuation Adjustment (DVA) into restructuring and other items.

## Notes to the financial statements continued

### 2. Segmental information continued

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

#### Profit before taxation (PBT)

	6 months ended 30.06.23			
	Underlying \$million	Restructuring \$million	DVA \$million	Statutory \$million
Operating income	6,104	97	(30)	6,171
Operating expenses	(3,432)	(95)	–	(3,527)
<b>Operating profit/(loss) before impairment losses and taxation</b>	<b>2,672</b>	<b>2</b>	<b>(30)</b>	<b>2,644</b>
Credit impairment	14	8	–	22
Other impairment	(12)	(2)	–	(14)
Profit from associates and joint ventures	(9)	–	–	(9)
<b>Profit/(loss) before taxation</b>	<b>2,665</b>	<b>8</b>	<b>(30)</b>	<b>2,643</b>

  

	6 months ended 30.06.22 <sup>1</sup>			
	Underlying \$million	Restructuring \$million	DVA \$million	Statutory \$million
Operating income	5,022	102	97	5,221
Operating expenses	(3,155)	(101)	–	(3,256)
<b>Operating profit before impairment losses and taxation</b>	<b>1,867</b>	<b>1</b>	<b>97</b>	<b>1,965</b>
Credit impairment	170	(3)	–	167
Other impairment	(1)	(9)	–	(10)
Profit from associates and joint ventures	(4)	–	–	(4)
<b>Profit/(loss) before taxation</b>	<b>2,032</b>	<b>(11)</b>	<b>97</b>	<b>2,118</b>

1 Restructuring, DVA and other items for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA from underlying operating performance

#### Underlying performance by client segment

	6 months ended 30.06.23				
	Corporate, Commercial & Institutional Banking \$million	Consumer Private & Business Banking \$million	Ventures \$million	Central & other items \$million	Total \$million
<b>Operating income</b>	<b>4,164</b>	<b>1,723</b>	<b>62</b>	<b>155</b>	<b>6,104</b>
External	3,342	1,120	62	1,580	6,104
Inter-segment	822	603	–	(1,425)	–
<b>Operating expenses</b>	<b>(2,001)</b>	<b>(992)</b>	<b>(160)</b>	<b>(279)</b>	<b>(3,432)</b>
<b>Operating profit/(loss) before impairment losses and taxation</b>	<b>2,163</b>	<b>731</b>	<b>(98)</b>	<b>(124)</b>	<b>2,672</b>
Credit impairment	(1)	(12)	(4)	31	14
Other impairment	(20)	(1)	–	9	(12)
Loss from associates and joint ventures	–	–	(13)	4	(9)
<b>Underlying profit/(loss) before taxation</b>	<b>2,142</b>	<b>718</b>	<b>(115)</b>	<b>(80)</b>	<b>2,665</b>
Restructuring	–	(9)	–	17	8
DVA	(30)	–	–	–	(30)
<b>Statutory profit/(loss) before taxation</b>	<b>2,112</b>	<b>709</b>	<b>(115)</b>	<b>(63)</b>	<b>2,643</b>
Total assets	293,390	47,409	1,609	218,695	561,103
Total liabilities	359,569	68,733	957	98,579	527,838

## Notes to the financial statements continued

### 2. Segmental information continued

	6 months ended 30.06.22 <sup>1</sup>				
	Corporate, Commercial & Institutional Banking \$million	Consumer Private & Business Banking \$million	Ventures \$million	Central & other items \$million	Total \$million
<b>Operating income</b>	3,330	1,349	–	343	5,022
External	3,198	1,173	–	651	5,022
Inter-segment	132	176	–	(308)	–
<b>Operating expenses</b>	(1,854)	(954)	(103)	(244)	(3,155)
<b>Operating profit/(loss) before impairment losses and taxation</b>	1,476	395	(103)	99	1,867
Credit impairment	131	28	–	11	170
Other impairment	1	(1)	–	(1)	(1)
<b>(Loss)/profit from associates and joint ventures</b>	–	–	(7)	3	(4)
<b>Underlying profit/(loss) before taxation</b>	1,608	422	(110)	112	2,032
Restructuring	3	(10)	(2)	(2)	(11)
DVA	97	–	–	–	97
<b>Statutory profit/(loss) before taxation</b>	1,708	412	(112)	110	2,118
Total assets	323,491	47,393	329	197,835	569,048
Total liabilities	368,970	64,470	33	101,826	535,299

1 Restructuring, DVA and other items for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA from underlying operating performance

#### Operating income by client segment

	6 months ended 30.06.23				
	Corporate, Commercial & Institutional Banking \$million	Consumer Private & Business Banking \$million	Ventures \$million	Central & other items \$million	Total \$million
Underlying operating income	4,164	1,723	62	155	6,104
Restructuring	49	23	–	25	97
DVA	(30)	–	–	–	(30)
<b>Statutory operating income</b>	<b>4,183</b>	<b>1,746</b>	<b>62</b>	<b>180</b>	<b>6,171</b>

	6 months ended 30.06.22 <sup>1</sup>				
	Corporate, Commercial & Institutional Banking \$million	Consumer Private & Business Banking \$million	Ventures \$million	Central & other items \$million	Total \$million
Underlying operating income	3,330	1,349	–	343	5,022
Restructuring	58	24	–	20	102
DVA	97	–	–	–	97
<b>Statutory operating income</b>	<b>3,485</b>	<b>1,373</b>	<b>–</b>	<b>363</b>	<b>5,221</b>

1 Restructuring, DVA and other items for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA from underlying operating performance



## 2. Segmental information continued

## Underlying performance by region

	6 months ended 30.06.23				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
Operating income	2,729	1,411	1,009	955	6,104
Operating expenses	(1,386)	(804)	(857)	(385)	(3,432)
Operating profit before impairment losses and taxation	1,343	607	152	570	2,672
Credit impairment	19	9	(4)	(10)	14
Other impairment	(1)	(1)	9	(19)	(12)
(Loss)/profit from associates and joint ventures	–	–	(13)	4	(9)
Underlying profit before taxation	1,361	615	144	545	2,665
Restructuring	(10)	53	(3)	(32)	8
DVA	(12)	(3)	(14)	(1)	(30)
Statutory profit before taxation	1,339	665	127	512	2,643
Total assets	159,810	36,030	331,958	33,305	561,103
Total liabilities	139,284	36,765	270,660	81,129	527,838

	6 months ended 30.06.22 <sup>1</sup>				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
Operating income	2,277	1,189	1,496	60	5,022
Operating expenses	(1,210)	(754)	(750)	(441)	(3,155)
Operating profit/(loss) before impairment losses and taxation	1,067	435	746	(381)	1,867
Credit impairment	26	100	40	4	170
Other impairment	–	(1)	1	(1)	(1)
Loss from associates and joint ventures	–	–	–	(4)	(4)
Underlying profit/(loss) before taxation	1,093	534	787	(382)	2,032
Restructuring	(8)	29	(16)	(16)	(11)
DVA	21	15	61	–	97
Statutory profit/(loss) before taxation	1,106	578	832	(398)	2,118
Total assets	149,562	40,410	346,516	32,560	569,048
Total liabilities	129,489	39,236	280,285	86,289	535,299

1 Restructuring, DVA and other items for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA from underlying operating performance

## Operating income by region

	6 months ended 30.06.23				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
Underlying operating income	2,729	1,411	1,009	955	6,104
Restructuring	2	91	–	4	97
DVA	(12)	(3)	(14)	(1)	(30)
Statutory operating income	2,719	1,499	995	958	6,171

	6 months ended 30.06.22 <sup>1</sup>				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
Underlying operating income	2,277	1,189	1,496	60	5,022
Restructuring	4	82	(1)	17	102
DVA	21	15	61	–	97
Statutory operating income	2,302	1,286	1,556	77	5,221

1 Restructuring, DVA and other items for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA from underlying operating performance

## 2. Segmental information continued

### Additional segmental information (statutory)

6 months ended 30.06.23

	Corporate, Commercial & Institutional Banking \$million	Consumer Private & Business Banking \$million	Ventures \$million	Central & other items \$million	Total \$million
Net interest income	1,515	1,146	8	(390)	2,279
Net fees and commission income	644	584	23	(70)	1,181
Net trading and other income	2,024	16	31	640	2,711
<b>Operating income</b>	<b>4,183</b>	<b>1,746</b>	<b>62</b>	<b>180</b>	<b>6,171</b>

6 months ended 30.06.22

	Corporate, Commercial & Institutional Banking \$million	Consumer Private & Business Banking \$million	Ventures \$million	Central & other items \$million	Total \$million
Net interest income	1,070	751	–	345	2,166
Net fees and commission income	612	637	–	(65)	1,184
Net trading and other income	1,803	(15)	–	83	1,871
<b>Operating income</b>	<b>3,485</b>	<b>1,373</b>	<b>–</b>	<b>363</b>	<b>5,221</b>

### Operating income by Region

6 months ended 30.06.23

	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
Net interest income	1,350	775	(294)	448	2,279
Net fees and commission income	543	241	266	131	1,181
Net trading and other income	826	483	1,023	379	2,711
<b>Operating income</b>	<b>2,719</b>	<b>1,499</b>	<b>995</b>	<b>958</b>	<b>6,171</b>

6 months ended 30.06.22

	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items \$million	Total \$million
Net interest income	1,092	577	364	133	2,166
Net fees and commission income	123	262	320	479	1,184
Net trading and other income	1,087	447	872	(535)	1,871
<b>Operating income</b>	<b>2,302</b>	<b>1,286</b>	<b>1,556</b>	<b>77</b>	<b>5,221</b>

### Operating income by Key Countries

6 months ended 30.06.23

	Singapore \$million	India \$million	Indonesia \$million	UAE \$million	UK \$million	US \$million
Net interest income	650	462	66	255	(410)	103
Net fees and commission income	338	92	11	117	122	177
Net trading and other income	415	161	44	226	999	43
<b>Operating income</b>	<b>1,403</b>	<b>715</b>	<b>121</b>	<b>598</b>	<b>711</b>	<b>323</b>

6 months ended 30.06.22

	Singapore \$million	India \$million	Indonesia \$million	UAE \$million	UK \$million	US \$million
Net interest income	447	370	50	127	138	193
Net fees and commission income	394	113	20	97	55	190
Net trading and other income	135	224	38	167	852	59
<b>Operating income</b>	<b>976</b>	<b>707</b>	<b>108</b>	<b>391</b>	<b>1,045</b>	<b>442</b>

## 3. Net interest income

	6 months ended 30.06.23 \$million	6 months ended 30.06.22 \$million
Balances at central banks	1,201	136
Loans and advances to banks	597	251
Loans and advances to customers	4,365	2,172
Debt securities	1,692	748
Other eligible bills	599	190
Accrued on impaired assets (discount unwind)	79	58
<b>Interest income</b>	<b>8,533</b>	<b>3,555</b>
Of which: financial instruments held at fair value through other comprehensive income	1,278	580
Deposits by banks	301	71
Customer accounts	4,690	1,034
Debt securities in issue	807	37
Subordinated liabilities and other borrowed funds	439	232
Interest expense on IFRS 16 lease liabilities	17	15
<b>Interest expense</b>	<b>6,254</b>	<b>1,389</b>
<b>Net interest income</b>	<b>2,279</b>	<b>2,166</b>

## 4. Net fees and commission

	6 months ended 30.06.23 \$million	6 months ended 30.06.22 \$million
<b>Fees and commissions income</b>	<b>1,572</b>	<b>1,474</b>
Of which:		
Financial instruments that are not fair valued through profit or loss	555	503
Trust and other fiduciary activities	126	135
<b>Fees and commissions expense</b>	<b>(391)</b>	<b>(290)</b>
Of which:		
Financial instruments that are not fair valued through profit or loss	(103)	(87)
Trust and other fiduciary activities	(8)	(7)
<b>Net fees and commission</b>	<b>1,181</b>	<b>1,184</b>

## 4. Net fees and commission continued

6 months ended 30.06.23

	Corporate, Commercial & Institutional Banking \$million	Consumer Private & Business Banking \$million	Ventures \$million	Central & other items \$million	Total \$million
Transaction Banking	555	10	–	–	565
Trade	302	8	–	–	310
Cash Management	253	2	–	–	255
Financial Markets	337	–	–	–	337
Lending and Portfolio Management	57	3	–	–	60
Principal Finance	–	–	–	–	–
Wealth Management	–	409	–	–	409
Retail Products	–	175	10	–	185
Treasury	–	–	–	2	2
Others	–	(6)	25	(5)	14
<b>Net fees and commission income</b>	<b>949</b>	<b>591</b>	<b>35</b>	<b>(3)</b>	<b>1,572</b>
Net fees and commission expense	(305)	(7)	(18)	(61)	(391)
<b>Net fees and commission</b>	<b>644</b>	<b>584</b>	<b>17</b>	<b>(64)</b>	<b>1,181</b>

6 months ended 30.06.22

	Corporate, Commercial & Institutional Banking \$million	Consumer Private & Business Banking \$million	Ventures \$million	Central & other items \$million	Total \$million
Transaction Banking	448	13	–	–	461
Trade	269	10	–	–	279
Cash Management	179	3	–	–	182
Financial Markets	354	–	–	–	354
Lending and Portfolio Management	44	3	–	–	47
Principal Finance	–	–	–	–	–
Wealth Management	–	428	–	–	428
Retail Products	–	176	–	–	176
Treasury	–	–	–	(2)	(2)
Others	–	–	2	8	10
<b>Net fees and commission income</b>	<b>846</b>	<b>620</b>	<b>2</b>	<b>6</b>	<b>1,474</b>
Net fees and commission expense	(234)	17	(2)	(71)	(290)
<b>Net fees and commission</b>	<b>612</b>	<b>637</b>	<b>–</b>	<b>(65)</b>	<b>1,184</b>

Upfront bancassurance consideration amounts are amortised on a straight-line basis over the contractual period to which the consideration relates. Deferred income on the balance sheet in respect of these activities is \$507 million (30.06.22: \$592 million). The income will be earned evenly over the next 6 years (30.06.22: 7 years). For the six months ended 30.06.23: \$42 million of fee income was released from deferred income (30.06.22: \$42 million).

For the bancassurance contract with the annual performance bonus, based on progress so far and expectation of meeting the performance targets by year-end with a high probability, a pro-rata portion of the total performance fee, equal to \$89 million of the fee has been recognised as fee income in the period.

## 5. Net trading income

	6 months ended 30.06.23 \$million	6 months ended 30.06.22 \$million
Net trading income	2,323	1,867
Significant items within net trading income include:		
Gains on instruments held for trading <sup>1</sup>	1,992	1,809
Gains on financial assets mandatorily at fair value through profit or loss	1,903	70
Gain on financial assets designated at fair value through profit or loss	1	–
(Losses) on financial liabilities designated at fair value through profit or loss	(1,581)	(10)

<sup>1</sup> Includes \$97 million loss (30.06.22: \$129 million gain) from the translation of foreign currency monetary assets and liabilities

## 6. Other operating income

	6 months ended 30.06.23 \$million	6 months ended 30.06.22 \$million
Other operating income includes:		
Rental income from operating lease assets	–	2
Net (loss)/gain on disposal of fair value through other comprehensive income debt instruments	(69)	2
Net (loss)/gain on amortized cost financial assets	(22)	3
Net gain on sale of businesses <sup>1</sup>	435	–
Dividend income	6	5
Other	38	(8)
<b>Other operating income</b>	<b>388</b>	<b>4</b>

<sup>1</sup> 2023 Includes gain of \$416 million on disposal from sale of subsidiary SC Ventures Holding Limited to a fellow group undertaking of Standard Chartered PLC

## 7. Credit impairment

	6 months ended 30.06.23 \$million	6 months ended 30.06.22 \$million
Net credit impairment on loans and advances to banks and customers	40	(153)
Net credit impairment against profit or loss during the period relating to debt securities <sup>1</sup>	(37)	1
Net credit impairment relating to financial guarantees and loan commitments	(35)	(15)
Net credit impairment relating to other financial assets	10	–
<b>Credit impairment<sup>1</sup></b>	<b>(22)</b>	<b>(167)</b>

<sup>1</sup> No material purchased or originated credit-impaired (POCI) assets

## 8. Other impairment

	6 months ended 30.06.23 \$million	6 months ended 30.06.22 \$million
Impairment of property, plant and equipment (Note 15)	2	–
Impairment of other intangible assets (Note 14)	11	1
Other	1	9
<b>Other impairment</b>	<b>14</b>	<b>10</b>

## 9. Taxation

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

	6 months ended 30.06.23 \$million	6 months ended 30.06.22 \$million
The charge for taxation based upon the profit for the period comprises:		
<b>Current tax:</b>		
United Kingdom corporation tax at 23.5 per cent (2022:19 per cent):		
Current tax charge on income for the period	2	–
Adjustments in respect of prior periods (including double tax relief)	–	–
Foreign tax:		
Current tax charge on income for the period	679	475
Adjustments in respect of prior periods	6	7
	<b>687</b>	<b>482</b>
<b>Deferred tax:</b>		
Origination/reversal of temporary differences	(22)	74
Adjustments in respect of prior periods	2	(10)
	<b>(20)</b>	<b>64</b>
<b>Tax on profits on ordinary activities</b>	<b>667</b>	<b>546</b>
<b>Effective tax rate</b>	<b>25.2%</b>	<b>25.8%</b>

The tax charge for the period has been calculated by applying the effective rate of tax which is expected to apply for the year ending 31 December 2023 using rates substantively enacted at 30 June 2023. The rate has been calculated by estimating and applying an average annual effective income tax rate to each tax jurisdiction individually.

The tax charge for the period of \$667 million (30 June 2022: \$546 million) on a profit before tax of \$2,643 million (30 June 2022: \$2,118 million) reflects the impact of non-deductible expenses, non-creditable withholding taxes and countries with tax rates higher than the UK, the most significant of which is India, offset by a tax exempt gain on disposal of subsidiaries as part of internal restructuring.

Deferred tax comprises assets and liabilities as follows:

	30.06.23			31.12.22		
	Total \$million	Asset \$million	Liability \$million	Total \$million	Asset \$million	Liability \$million
<b>Deferred tax comprises:</b>						
Accelerated tax depreciation	(293)	9	(302)	(306)	12	(318)
Impairment provisions on loans and advances	243	263	(20)	222	244	(22)
Tax losses carried forward	104	80	24	89	70	19
Equity instruments at fair value through other comprehensive income	(74)	(1)	(73)	(74)	–	(74)
Debt instruments at fair value through other comprehensive income	46	40	6	53	42	11
Cash flow hedges	74	74	–	88	86	2
Own credit adjustment	–	–	–	–	–	–
Retirement benefit obligations	(14)	5	(19)	2	15	(13)
Share-based payments	26	1	25	26	–	26
Other temporary differences	38	224	(186)	64	272	(208)
	<b>150</b>	<b>695</b>	<b>(545)</b>	<b>164</b>	<b>741</b>	<b>(577)</b>

**10. Dividends****Ordinary equity shares**

	6 months ended 30.06.23		6 months ended 30.06.22	
	Cents per share	\$million	Cents per share	\$million
Interim dividend declared and paid during the year <sup>1</sup>	8	1,661	–	–

<sup>1</sup> Interim dividend declared and paid during H1 2023/2022

Interim dividends on ordinary equity shares are recorded in the period in which they are declared.

**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.

	6 months ended 30.06.23 \$million	6 months ended 30.06.22 \$million
Non-cumulative redeemable preference shares:		
7.014 per cent preference shares of \$5 each	45	26
6.409 per cent preference shares of \$5 each	23	7
	67	33
Additional Tier 1 securities: Fixed rate resetting perpetual subordinated contingent convertible securities	140	137
	207	170

## 11. Financial instruments

### Classification and measurement

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

#### Group

Assets	Notes	Assets at fair value							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	Assets held at amortised cost \$million	
Cash and balances at central banks		-	-	-	-	-	-	79,603	79,603
<b>Financial assets held at fair value through profit or loss</b>									
Loans and advances to banks <sup>1</sup>		2,126	-	-	-	-	2,126	-	2,126
Loans and advances to customers <sup>1</sup>		2,854	-	200	-	-	3,054	-	3,054
Reverse repurchase agreements and other similar secured lending	13	622	-	66,095	-	-	66,717	-	66,717
Debt securities, alternative tier one and other eligible bills		19,012	-	622	-	-	19,634	-	19,634
Equity shares		773	-	133	-	-	906	-	906
		25,387	-	67,050	-	-	92,437	-	92,437
Derivative financial instruments	12	58,627	2,298	-	-	-	60,925	-	60,925
Loans and advances to banks <sup>1</sup>	14	-	-	-	-	-	-	24,240	24,240
of which – reverse repurchase agreements and other similar secured lending	13	-	-	-	-	-	-	1,319	1,319
Loans and advances to customers <sup>1</sup>		-	-	-	-	-	-	153,675	153,675
of which – reverse repurchase agreements and other similar secured lending	13	-	-	-	-	-	-	10,014	10,014
<b>Investment securities</b>									
Debt securities, alternative tier one and other eligible bills		-	-	-	-	60,162	60,162	40,021	100,183
Equity shares		-	-	-	-	315	315	-	315
		-	-	-	-	60,477	60,477	40,021	100,498
Other assets	16	-	-	-	-	-	-	25,897	25,897
Assets held for sale	17	-	-	-	39	-	39	2,212	2,251
<b>Total at 30 June 2023</b>		<b>84,014</b>	<b>2,298</b>	<b>67,050</b>	<b>39</b>	<b>60,477</b>	<b>213,878</b>	<b>325,648</b>	<b>539,526</b>

1 Further analysed in Risk review and Capital review (pages 12 to 42)



## Notes to the financial statements continued

### 11. Financial instruments continued

Assets	Notes	Assets at fair value							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	Assets held at amortised cost \$million	
Cash and balances at central banks		-	-	-	-	-	-	50,531	50,531
<b>Financial assets held at fair value through profit or loss</b>									
Loans and advances to banks <sup>1</sup>		859	-	-	-	-	859	-	859
Loans and advances to customers <sup>1</sup>		3,531	-	534	-	-	4,065	-	4,065
Reverse repurchase agreements and other similar secured lending	13	-	-	62,333	-	-	62,333	-	62,333
Debt securities, alternative tier one and other eligible bills		12,619	-	792	-	-	13,411	-	13,411
Equity shares		1,743	-	143	-	-	1,886	-	1,886
		18,752	-	63,802	-	-	82,554	-	82,554
Derivative financial instruments	12	62,840	2,210	-	-	-	65,050	-	65,050
Loans and advances to banks <sup>1</sup>	14	-	-	-	-	-	-	27,383	27,383
of which – reverse repurchase agreements and other similar secured lending	13	-	-	-	-	-	-	878	878
Loans and advances to customers <sup>1</sup>		-	-	-	-	-	-	158,126	158,126
of which – reverse repurchase agreements and other similar secured lending	13	-	-	-	-	-	-	15,586	15,586
<b>Investment securities</b>									
Debt securities, alternative tier one and other eligible bills		-	-	-	-	70,624	70,624	41,801	112,425
Equity shares		-	-	-	-	603	603	-	603
		-	-	-	-	71,227	71,227	41,801	113,028
Other assets	16	-	-	-	-	-	-	27,210	27,210
Assets held for sale	17	-	-	-	2	-	2	1,388	1,390
<b>Total at 31 December 2022</b>		81,592	2,210	63,802	2	71,227	218,833	306,439	525,272

1 Further analysed in Risk review and Capital review (pages 12 to 42)

11. Financial instruments continued  
Group

		Liabilities at fair value						
			Derivatives	Designated at	Total financial			
Liabilities	Notes	Trading	held for	through profit	liabilities at	Amortised	Total	
		\$million	hedging	or loss	fair value	cost	\$million	
			\$million	\$million	\$million	\$million	\$million	
<b>Financial liabilities held at fair value through profit or loss</b>								
Deposits by banks		–	–	1,524	1,524	–	1,524	
Customer accounts		43	–	8,126	8,169	–	8,169	
Repurchase agreements and other similar secured borrowing	13	–	–	40,748	40,748	–	40,748	
Debt securities in issue		–	–	9,425	9,425	–	9,425	
Short positions		5,128	–	–	5,128	–	5,128	
		5,171	–	59,823	64,994	–	64,994	
Derivative financial instruments	12	60,319	2,017	–	62,336	–	62,336	
Deposits by banks		–	–	–	–	23,333	23,333	
Customer accounts		–	–	–	–	252,376	252,376	
Repurchase agreements and other similar secured borrowing	13	–	–	–	–	11,002	11,002	
Debt securities in issue		–	–	–	–	39,969	39,969	
Other liabilities	18	–	–	–	–	30,930	30,930	
Subordinated liabilities and other borrowed funds	21	–	–	–	–	11,437	11,437	
Liabilities included in disposal groups held for sale	17	–	–	–	–	1,194	1,194	
<b>Total at 30 June 2023</b>		<b>65,490</b>	<b>2,017</b>	<b>59,823</b>	<b>127,330</b>	<b>370,241</b>	<b>497,571</b>	

Liabilities	Notes	Liabilities at fair value				Amortised cost \$million	Total \$million
		Trading \$million	Derivatives held for hedging \$million	Designated at fair value through profit or loss \$million	Total financial liabilities at fair value \$million		
<b>Financial liabilities held at fair value through profit or loss</b>							
Deposits by banks	13	–	–	586	586	–	586
Customer accounts		29	–	6,526	6,555	–	6,555
Repurchase agreements and other similar secured borrowing		–	–	50,402	50,402	–	50,402
Debt securities in issue		–	–	7,563	7,563	–	7,563
Short positions		2,302	–	–	2,302	–	2,302
		2,331	–	65,077	67,408	–	67,408
Derivative financial instruments	12	66,283	2,575	–	68,858	–	68,858
Deposits by banks		–	–	–	–	24,150	24,150
Customer accounts		–	–	–	–	243,075	243,075
Repurchase agreements and other similar secured borrowing	13	–	–	–	–	1,991	1,991
Debt securities in issue		–	–	–	–	36,982	36,982
Other liabilities	18	–	–	–	–	25,567	25,567
Subordinated liabilities and other borrowed funds	21	–	–	–	–	13,269	13,269
Liabilities included in disposal groups held for sale	17	–	–	5	5	1,230	1,235
<b>Total at 31 December 2022</b>		68,614	2,575	65,082	136,271	346,264	482,535

## 11. Financial instruments continued

### Interest rate benchmark reform

During the first six months of 2023, significant progress was made in support of the IBOR transition.

New LIBOR-referencing business had all but ceased, with limited exceptions for derivatives used for risk management of legacy positions, in accordance with regulatory guidance. A full suite of RFR-referencing derivative and cash products are now a standard offering across the Group.

Having completed the remediation of all non-USD LIBOR exposures at the end of 2021 with no reliance on synthetic rates, the Programme focused on remediating legacy USD LIBOR stock. Clients with legacy USD LIBOR loans were engaged to remediate their contracts primarily via active conversion to alternative rates, or other suitable transition mechanisms such as the inclusion of robust fallbacks. For derivatives, 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 to do the same or to negotiate remediation bilaterally.

The Group made significant progress towards completing its remediation of legacy exposures over the course of the first six months of 2023. Fallbacks in over-the-counter derivative trades subject to the ISDA Protocol were operationalised and rebooked to SOFR plus the relevant credit adjustment spread. The Group also successfully participated in CCP conversion events, including both tranches of the London Clearing House (LCH) conversions for USD LIBOR and also the SGD/THB conversion, as well as the CME Eurodollar futures and the Hong Kong Exchanges and Clearing (HKEX) USD LIBOR events. This has significantly reduced our overall notional exposure to USD LIBOR, as centrally cleared derivatives and bilateral derivatives with fallbacks represented a substantial portion of the Group's overall USD LIBOR notional exposure.

As at 30 June 2023, our remediation rate measured by the number of in-scope individual client entities stood at 93%, and when measured by outstanding affected notional the remediation rate was in excess of 97%. A small minority of outstanding contracts are likely to temporarily transition to synthetic USD LIBOR while remediation efforts continue. The majority of those contracts are either syndicated loans, where a large number of participants involved presents additional challenges to the transition, or derivatives hedging loans or bonds where there is a dependency on remediation of the underlying cash products.

### 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 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. 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, and where there is a risk they may remain outstanding after the expected end of synthetic IBOR at the end of September 2024
- **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 resulting from the 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. It should be noted that no legacy LIBOR exposures were transitioned to credit sensitive rates, nor does the Group plan on making this available in its future product offering
- **Financial and pricing risk:** The Group continues to monitor any financial impact of IBOR transition across business and functional workstreams in the Programme, and has implemented 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 as remediation for residual contracts is completed

## Notes to the financial statements continued

### 11. Financial instruments continued

As at 30 June 2023 the Group had the following notional principal exposures to interest rate benchmarks that are expected to be subject to interest rate benchmark reform.

IBOR exposures by benchmark as of 30 June 2023	USD LIBOR \$million	GBP LIBOR \$million	SGD SOR \$million	THB FIX \$million	Other IBOR \$million	Total IBOR \$million
<b>Assets<sup>1</sup></b>						
Loans and advances to banks	90	–	–	–	–	90
Loans and advances to customers	10,498	–	6	–	–	10,504
Debt securities, AT1 and other eligible bills	1,595	–	15	–	–	1,610
	12,183	–	21	–	–	12,204
<b>Liabilities<sup>1</sup></b>						
Deposits by banks	318	–	–	–	–	318
Customer accounts	375	–	–	32	–	407
Repurchase agreements and other secured borrowing	–	–	–	–	–	–
Debt securities in issue	185	–	–	–	–	185
Subordinated liabilities and other borrowed funds	–	–	–	–	–	–
	878	–	–	32	–	910
<b>Derivatives – Foreign exchange contracts</b>						
Currency swaps and options	413	–	–	–	–	413
<b>Derivatives – Interest rate contracts</b>						
Swaps	4,823	–	–	–	–	4,823
Forward rate agreements and options	–	–	–	–	–	–
Exchange traded futures and options	–	–	–	–	–	–
Equity and stock index options	–	–	–	–	–	–
Credit derivative contracts	–	–	–	–	–	–
<b>Total IBOR derivative exposure</b>	<b>5,236</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,236</b>
<b>Total IBOR exposure</b>	<b>18,297</b>	<b>–</b>	<b>21</b>	<b>32</b>	<b>–</b>	<b>18,350</b>
<b>Loan commitments off balance sheet</b>	<b>713</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>713</b>

<sup>1</sup> The Assets/Liabilities amounts include contracts with a carrying value of \$11.1 billion where remediation terms have been agreed, but the Group is either awaiting signed confirmation or pending update of internal systems

## Notes to the financial statements continued

### 11. Financial instruments continued

IBOR exposures by benchmark as at 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	610	–	–	–	–	610
Loans and advances to customers	16,537	–	–	–	–	16,537
Debt securities, AT1 and other eligible bills	1,591	–	16	–	–	1,607
	18,738	–	16	–	–	18,754
<b>Liabilities</b>						
Deposits by banks	4,194	–	6	–	–	4,200
Customer accounts	3,062	–	–	34	–	3,096
Repurchase agreements and other secured borrowing	671	–	–	–	–	671
Debt securities in issue	259	–	–	–	–	259
Subordinated liabilities and other borrowed funds	–	–	–	–	–	–
	8,186	–	6	34	–	8,226
<b>Derivatives – Foreign exchange contracts</b>						
Currency swaps and options	159,088	–	3,941	958	–	163,987
<b>Derivatives – Interest rate contracts</b>	–	–	–	–	–	–
Swaps	739,704	–	10,823	11,614	–	762,141
Forward rate agreements and options	22,148	1	–	9	–	22,158
Exchange traded futures and options	31,758	–	–	–	–	31,758
Equity and stock index options	49	–	–	–	–	49
Credit derivative contracts	5,085	–	78	72	–	5,235
<b>Total IBOR derivative exposure</b>	957,832	1	14,842	12,653	–	985,328
<b>Total IBOR exposure</b>	984,756	1	14,864	12,687	–	1,012,308
<b>Loan commitments off balance sheet</b>	2,375	–	14	–	–	2,389

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

	30.06.23 \$million	31.12.22 \$million
Carrying balance aggregate fair value	59,823	65,077
Amount contractually obliged to repay at maturity	60,971	66,138
Difference between aggregate fair value and contractually obliged to repay at maturity	(1,148)	(1,061)
Cumulative change in fair value accredited to credit risk difference	(117)	(31)

The net fair value loss on financial liabilities designated at fair value through profit or loss was \$ 1,581 million for the period (31.12.22: net loss of \$726 million).

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

### 11. Financial instruments continued

#### 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 may include data sourced from recent trade data involving external counterparties or third parties such as Bloomberg, Reuters, brokers and consensus pricing providers. Valuation Methodology 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 of the suitability of the market data used for price testing. Price verification uses independently sourced data that is deemed most representative of the market the instruments trade in. To determine the quality of the market data inputs, factors such as independence, relevance, reliability, availability of multiple data sources and methodology employed by the pricing provider are taken into consideration.

The Valuation and Benchmarks Committee (VBC) is the valuation governance forum consisting of representatives from Group Market Risk, Product Control, Valuation 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 70)
- 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 71)
- 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

#### Valuation techniques

Refer to the fair value hierarchy explanation – Level 1, 2 and 3 (page 71)

- 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 asset

## 11. Financial instruments continued

- **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 commodity crack swaption and equity options based on the performance of two or more underlying indices. 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 syndicated as of the balance sheet date and other financing transactions within Financial Markets and loans and advances including reverse repurchase agreements that do not have SPPI cash flows or are managed on a fair value basis. These loans are generally bilateral in nature and, where available, their valuation is based on observable clean sales transactions prices or market observable spreads. If observable credit spreads are not available, proxy spreads based on comparable loans with similar credit grade, sector and region, are used. Where observable credit spreads and market standard proxy methods are available, these loans are classified as Level 2. Where there are no recent transactions or comparable loans, these loans are classified as Level 3
- **Other debt securities:** These debt securities include convertible bonds, corporate bonds, credit and structured notes. Where quoted prices are available through pricing vendors, brokers or observable trading activities from liquid markets, these are classified as Level 2 and valued using such quotes. Where there are significant valuation inputs which are unobservable in the market, due to illiquid trading or the complexity of the product, these are classified as Level 3. The valuations of these debt securities are implied using input parameters such as bond spreads and credit spreads. These input parameters are determined with reference to the same issuer (if available) or proxied from comparable issuers or assets
- Financial instruments held at amortised cost

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

- **Cash and balances at central banks:** The fair value of cash and balances at central banks is their carrying amounts
- **Debt securities in issue, subordinated liabilities and other borrowed funds:** The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current market related yield curve appropriate for the remaining term to maturity
- **Deposits and borrowings:** The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using the prevailing market rates for debts with a similar Credit Risk and remaining maturity
- **Investment securities:** For investment securities that do not have directly observable market values, the Group utilises a number of valuation techniques to determine fair value. Where available, securities are valued using input proxies from the same or closely related underlying (for example, bond spreads from the same or closely related issuer) or input proxies from a different underlying (for example, a similar bond but using spreads for a particular sector and rating). Certain instruments cannot be proxied 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 proxied from internal assessments of the underlying cash flows

## 11. Financial instruments continued

- **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:

	01.01.23 \$million	Movement during the period \$million	30.06.23 \$million	01.01.22 \$million	Movement during the period \$million	31.12.22 \$million
Bid-offer valuation adjustment	89	11	100	87	2	89
Credit Valuation adjustment	135	(27)	108	6	129	135
Debit Valuation adjustment	(91)	29	(62)	–	(91)	(91)
Model valuation adjustment	3	–	3	3	–	3
Funding Valuation adjustment	44	(12)	32	–	44	44
Other fair value adjustments	19	(2)	17	13	6	19
<b>Total</b>	<b>199</b>	<b>(1)</b>	<b>198</b>	<b>109</b>	<b>90</b>	<b>199</b>
Income deferrals						
Day 1 and other deferrals	160	(65)	95	84	76	160
<b>Total</b>	<b>160</b>	<b>(65)</b>	<b>95</b>	<b>84</b>	<b>76</b>	<b>160</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



#### 11. 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. 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.

#### 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

## Notes to the financial statements continued

### 11. Financial instruments continued

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

#### Group

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	–	2,126	–	2,126
Loans and advances to customers	–	2,109	945	3,054
Reverse repurchase agreements and other similar secured lending	–	65,202	1,515	66,717
Debt securities and other eligible bills	9,196	9,570	868	19,634
Of which:				
Issued by central banks & governments	8,382	4,818	–	13,200
Issued by corporates other than financial institutions <sup>1</sup>	482	2,337	625	3,444
Issued by financial institutions <sup>1</sup>	332	2,415	243	2,990
Equity shares	824	3	79	906
Derivative financial instruments	970	59,845	110	60,925
Of which:				
Foreign exchange	127	52,003	55	52,185
Interest rate	15	6,576	24	6,615
Credit	–	381	29	410
Equity and stock index options	–	56	2	58
Commodity	828	829	–	1,657
<b>Investment securities</b>				
Debt securities and other eligible bills	24,532	35,579	51	60,162
Of which:				
Issued by central banks & governments	16,907	13,023	51	29,981
Issued by corporates other than financial institutions <sup>1</sup>	1,520	983	–	2,503
Issued by financial institutions <sup>1</sup>	6,105	21,573	–	27,678
Equity shares	101	7	207	315
<b>Total financial instruments at 30 June 2023<sup>2</sup></b>	<b>35,623</b>	<b>174,441</b>	<b>3,775</b>	<b>213,839</b>
<b>Liabilities</b>				
<b>Financial instruments held at fair value through profit or loss</b>				
Deposits by banks	–	1,398	126	1,524
Customer accounts	–	8,054	115	8,169
Repurchase agreements and other similar secured borrowing	–	40,748	–	40,748
Debt securities in issue	–	8,919	506	9,425
Short positions	1,909	3,219	–	5,128
Derivative financial instruments	752	61,417	167	62,336
Of which:				
Foreign exchange	123	51,100	19	51,242
Interest rate	26	8,982	7	9,015
Credit	–	331	87	418
Equity and stock index options	–	72	54	126
Commodity	603	932	–	1,535
Other liabilities	–	–	–	–
<b>Total financial instruments at 30 June 2023<sup>2</sup></b>	<b>2,661</b>	<b>123,755</b>	<b>914</b>	<b>127,330</b>

1 Includes covered bonds of \$5,974 million, securities issued by Multilateral Development Banks/International Organisations of \$6,786 million and State-owned agencies and development banks of \$3,914 million

2 The above table does not include held for sale assets of \$39 million and liabilities of \$nil million. These are reported in Note 17 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 \$ 738 million.

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

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

## Notes to the financial statements continued

### 11. 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	–	838	21	859
Loans and advances to customers	–	2,757	1,308	4,065
Reverse repurchase agreements and other similar secured lending	–	60,345	1,988	62,333
Debt securities and other eligible bills	6,363	6,241	807	13,411
Of which:				
Issued by central banks & governments	6,101	3,082	–	9,183
Issued by corporates other than financial institutions <sup>1</sup>	86	1,009	416	1,511
Issued by financial institutions <sup>1</sup>	176	2,150	391	2,717
Equity shares	1,770	24	92	1,886
Derivative financial instruments	889	64,117	44	65,050
Of which:				
Foreign exchange	136	56,425	17	56,578
Interest rate	32	6,612	24	6,668
Credit	–	405	1	406
Equity and stock index options	–	84	2	86
Commodity	721	591	–	1,312
<b>Investment securities</b>				
Debt securities and other eligible bills	31,993	38,631	–	70,624
Of which:				
Issued by central banks & governments	22,467	15,056	–	37,523
Issued by corporates other than financial institutions <sup>1</sup>	899	1,215	–	2,114
Issued by financial institutions <sup>1</sup>	8,627	22,360	–	30,987
Equity shares	112	7	484	603
<b>Total financial instruments at 31 December 2022<sup>2</sup></b>	<b>41,127</b>	<b>172,960</b>	<b>4,744</b>	<b>218,831</b>
<b>Liabilities</b>				
<b>Financial instruments held at fair value through profit or loss</b>				
Deposits by banks	–	453	133	586
Customer accounts	–	6,385	170	6,555
Repurchase agreements and other similar secured borrowing	–	50,402	–	50,402
Debt securities in issue	–	7,136	427	7,563
Short positions	251	2,011	40	2,302
Derivative financial instruments	637	68,103	118	68,858
Of which:				
Foreign exchange	96	57,641	14	57,751
Interest rate	29	8,988	12	9,029
Credit	–	396	37	433
Equity and stock index options	–	103	55	158
Commodity	512	975	–	1,487
Other liabilities	–	–	–	–
<b>Total financial instruments at 31 December 2022<sup>2</sup></b>	<b>888</b>	<b>134,490</b>	<b>888</b>	<b>136,266</b>

1 Includes covered bonds of \$6,082 million, securities issued by Multilateral Development Banks/International Organisations of \$8,563 million and State-owned agencies and development banks of \$5,778 million

2 The above table does not include held for sale assets of \$3 million and liabilities of \$5m. These are reported in Note 17 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 \$741 million.

## 11. 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.

**Group**

	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>	79,603	–	79,603	–	79,603
Loans and advances to banks	24,240	–	24,239	–	24,239
of which – reverse repurchase agreements and other similar secured lending	1,319	–	1,319	–	1,319
Loans and advances to customers	153,675	–	45,528	106,769	152,297
of which – reverse repurchase agreements and other similar secured lending	10,014	–	10,014	–	10,014
Investment securities <sup>2</sup>	40,021	–	37,953	38	37,991
Other assets <sup>1</sup>	25,897	–	25,897	–	25,897
Assets held for sale	2,212	–	1,792	420	2,212
<b>At 30 June 2023</b>	<b>325,648</b>	<b>–</b>	<b>215,012</b>	<b>107,227</b>	<b>322,239</b>
<b>Liabilities</b>					
Deposits by banks	23,333	–	23,333	–	23,333
Customer accounts	252,376	–	252,617	–	252,617
Repurchase agreements and other similar secured borrowing	11,002	–	11,002	–	11,002
Debt securities in issue	39,969	–	39,969	–	39,969
Subordinated liabilities and other borrowed funds	11,437	–	11,409	–	11,409
Other liabilities <sup>1</sup>	30,930	–	30,930	–	30,930
Liabilities held for sale	1,194	–	1,194	–	1,194
<b>At 30 June 2023</b>	<b>370,241</b>	<b>–</b>	<b>370,454</b>	<b>–</b>	<b>370,454</b>

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

2 Includes Government bonds and Treasury bills of \$13,024 million at 30 June 2023

## 11. Financial instruments continued

	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>	50,531	–	50,531	–	50,531
Loans and advances to banks	27,383	–	27,383	–	27,383
of which – reverse repurchase agreements and other similar secured lending	878	–	833	–	833
Loans and advances to customers	158,126	–	58,045	100,025	158,070
of which – reverse repurchase agreements and other similar secured lending	15,586	–	15,727	–	15,727
Investment securities <sup>2</sup>	41,801	–	39,704	25	39,729
Other assets <sup>1</sup>	27,210	–	27,210	–	27,210
Assets held for sale	1,388	344	946	98	1,388
<b>At 31 December 2022</b>	<b>306,439</b>	<b>344</b>	<b>203,819</b>	<b>100,148</b>	<b>304,311</b>
<b>Liabilities</b>					
Deposits by banks	24,150	–	24,175	–	24,175
Customer accounts	243,075	–	243,160	–	243,160
Repurchase agreements and other similar secured borrowing	1,991	–	1,991	–	1,991
Debt securities in issue	36,982	–	36,982	–	36,982
Subordinated liabilities and other borrowed funds	13,269	–	13,215	–	13,215
Other liabilities <sup>1</sup>	25,567	–	25,566	1	25,567
Liabilities held for sale	1,230	398	832	–	1,230
<b>At 31 December 2022</b>	<b>346,264</b>	<b>398</b>	<b>345,921</b>	<b>1</b>	<b>346,320</b>

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

2 Includes Government bonds and Treasury bills of \$13,781 million at 31 December 2022

The Group has changed its method of determining the cost of its portfolio of Investment Securities held at amortised cost and Debt securities and other eligible bills, other than those included within financial instruments held at fair value through profit or loss, from the weighted average cost method to the first-in-first-out method. This change in accounting policy will affect the calculation of gains or losses upon derecognition of such instruments and the determination of the initial credit risk of these instruments, to better align with the IFRS 9 requirements for recognising and measuring impairment losses. The change was made prospectively for certain but not all securities and transactions. It is impracticable for the Group to determine the impact of this approach for each security and each transaction that was executed in previous periods.

**Level 3 Summary and significant unobservable inputs**

The following summary 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:

## 11. Financial instruments continued

### Group

Instrument	Value as at 30 June 2023		Principal valuation technique	Significant unobservable inputs	Range <sup>1</sup>	Weighted average <sup>2</sup>
	Assets \$million	Liabilities \$million				
Loans and advances to banks	–	–	Discounted cash flows	Price/yield Credit spreads	N/A N/A	N/A N/A
Loans and advances to customers	945	–	Discounted cash flows	Price/yield Recovery rates	0%-28.7% 4.7%-100%	14.3% 27.7%
Reverse repurchase agreements and other similar secured lending	1,515	–	Discounted cash flows	Repo curve Price/yield	5.3%-8.3% 1.6%-8.0%	6.9% 7.8%
Debt securities, alternative tier one and other eligible securities	868	–	Discounted cash flows	Price/yield Credit Spreads	0%-48.5% 0.2%-1.5%	10.1% 0.7%
Government bonds and treasury bills	51	–	Discounted cash flows	Price/yield	17.7%-21.8%	19.7%
Asset-backed securities	–	–	Discounted cash flows	Price/yield	N/A	N/A
Equity shares (includes private equity investments)	286	–	Comparable pricing/yield	EV/EBITDA multiples EV/Revenue multiples P/E multiples P/B multiples P/S multiples Liquidity discount	NA 9.0x-36.3x 12.1x-33.1x 0.6x-2.3x 1.5x NA	NA 18.2x 11.0x 1.3x 1.5x NA
			Discounted cash flows	Discount rates	7.6%-17%	12.7%
			Option pricing model	Equity value based on EV/Revenue multiples Equity value based on EV/EBITDA multiples Equity value based on volatility	8.0x-52.0x 2.4x 60.0%	25.9x 2.4x 60.0%
Derivative financial instruments of which:						
Foreign exchange	55	19	Option pricing model	Foreign exchange option implied volatility	(11.9)%-7.5%	2.5%
			Discounted cash flows	Foreign exchange curves	(1.8)%-24.4%	5.4%
Interest rate	24	7	Discounted cash flows	Interest rate curves Foreign Exchange Curves	(1.8)%-21.5% 1.8%-14.0%	8.8% 3.1%
			Option pricing model	Foreign Exchange Option Implied Volatility Bond option implied volatility	(6.9)%-6.9% NA	1.2% NA
Credit	29	87	Discounted cash flows	Credit spreads Price/yield	0.1%-2.5% NA	1.0% NA
Equity and stock index	2	54	Internal pricing model	Equity-Equity correlation Equity-FX correlation	45%-100% (40.0)%-45.0%	85.1% 12.0%
Deposits by banks	–	126	Discounted cash flows	Credit spreads Price/Yield Interest Rate Curves	0.9%-3.4% 5.4%-10.0% N/A	1.9% 6.9% N/A
Customer accounts	–	115	Discounted cash flows	Credit spreads Interest Rate Curves Price/yield	N/A 8.1%-9.4% 4.1%-27.8%	N/A 8.7% 17.0%
Debt securities in issue	–	506	Discounted cash flows	Credit spreads Price/yield	1%-8.4% 4.5%-12.4%	5.6% 10.5%
			Internal Pricing Model	Equity-Equity Correlation Equity-FX Correlation	45%-100% (40)%-45%	85.0% 12.0%
Short positions	–	–	Discounted cash flows	Price/yield	NA	NA
<b>Total</b>	<b>3,775</b>	<b>914</b>				

- 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 30 June 2023. 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
- 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

## 11. Financial instruments continued

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	N/A	N/A
				Credit spreads	2.9%	2.9%
Loans and advances to customers	1,308	–	Discounted cash flows	Price/yield	0.3%-18.2%	5.4%
				Recovery rates	5.0%-100%	91.3%
Reverse repurchase agreements and other similar secured lending	1,988	–	Discounted cash flows	Repo curve	2.3%-8.0%	6.2%
				Price/yield	1.9%-7.2%	4.7%
Debt securities, alternative tier one and other eligible securities	807	–	Discounted cash flows	Price/yield	5.5%-48.5%	8.3%
				Recovery rates	0.0%-1.0%	0.2%
Government bonds and treasury bills	–	–	Discounted cash flows	Price/yield	N/A	N/A
Asset-backed securities	–	–	Discounted cash flows	Price/yield	N/A	N/A
Equity shares (includes private equity investments)	576	–	Comparable pricing/yield	EV/EBITDA multiples	N/A	N/A
				EV/Revenue multiples	8.2x-23.2x	12.9x
				P/E multiples	13.4x-29.7x	14.5x
				P/B multiples	0.3x-3.3x	1.2x
				P/S multiples	2.1x-2.2x	2.2x
				Liquidity discount	20.0%	20.0%
			Discounted cash flows	Discount rates	7.5%-16.4%	8.0%
			Option pricing model	Equity value based on EV/Revenue multiples	4.8x-76.1x	32.9x
				Equity value based on EV/EBITDA multiples	2.6x	2.6x
				Equity value based on volatility	60.0%	60.0%
Derivative financial instruments of which:						
Foreign exchange	17	14	Option pricing model	Foreign exchange option implied volatility	(21.0)%-21.0%	(2.7)%
			Discounted cash flows	Foreign exchange curves	(4.6)%-81.8%	19.8%
Interest rate	24	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	37	Discounted cash flows	Credit spreads	0.1%-2.3%	1.2%
				Price/yield	7.2%-9.7%	7.4%
Equity and stock index	2	55	Internal pricing model	Equity correlation	30%-96%	67.0%
				Equity-FX correlation	(70.0)%-85.0%	37.0%
Deposits by banks	–	133	Discounted cash flows	Credit spreads	0.9%-3.4%	2.0%
				Price/yield	6.0%	6.0%
Customer accounts	–	170	Discounted cash flows	Credit spreads	5.5%-19.1%	11.4%
				Price/yield	22.8%-22.9%	22.9%
Debt securities in issue	–	427	Discounted cash flows	Credit spreads	2.0%-7.0%	5.3%
				Price/yield	6.8%-12.4%	9.1%
			Internal pricing model	Equity correlation	30.0%-96.0%	67.0%
				Equity-FX correlation	(70.0)%-85.0%	37.0%
Short positions	–	40	Discounted cash flows	Price/yield	6.8%	6.8%
<b>Total</b>	<b>4,744</b>	<b>888</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

### 11. Financial instruments 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 multiples, 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 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 an unfavourable movement in the fair value of the unlisted firm
- Price-Earnings (P/E) multiples is the ratio of the market value of 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



## 11. Financial instruments continued

- Price-Sales (P/S) multiple is the ratio of the market value of equity to sales. An increase in P/S multiple will result in a favourable movement in the fair value of the unlisted firm
- Recovery rates are the expectation of the rate of return resulting from the liquidation of a particular loan. As the probability of default increases for a given instrument, the valuation of that instrument will increasingly reflect its expected recovery level assuming default. An increase in the recovery rate, in isolation, would result in a favourable movement in the fair value of the loan
- 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

## Level 3 movement tables – financial assets

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

Group	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	Derivative financial instruments \$million	Debt securities, alternative tier one and other eligible bills \$million	Equity shares \$million	Total \$million
Assets									
At 01 January 2023	21	1,308	1,988	807	92	44	–	484	4,744
Total (losses)/gains recognised in income statement	–	(49)	(12)	(190)	(8)	12	–	–	(247)
Net trading income	–	(49)	(12)	(190)	(8)	12	–	–	(247)
Other operating income	–	–	–	–	–	–	–	–	–
Total gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	1	6	7
Fair value through OCI reserve	–	–	–	–	–	–	–	10	10
Exchange difference	–	–	–	–	–	–	1	(4)	(3)
Purchases	–	301	3,011	544	2	124	5	–	3,987
Sales	–	(481)	(3,155)	(285)	–	(59)	(10)	–	(3,990)
Settlements	–	(4)	(317)	–	–	(8)	–	–	(329)
Transfers out <sup>1</sup>	(21)	(205)	–	(9)	(7)	(3)	–	(293)	(538)
Transfers in <sup>2</sup>	–	75	–	1	–	–	55	10	141
Other Movement	–	–	–	–	–	–	–	–	–
At 30 June 2023	–	945	1,515	868	79	110	51	207	3,775
Total unrealised (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of assets held at 30 June 2023	–	(10)	–	14	(8)	(10)	–	–	(14)

1 Transfers out includes loans and advances, debt securities, alternative tier one and other eligible bills, equity shares 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 equity shares where the valuation parameters become unobservable during the period

## Notes to the financial statements continued

### 11. Financial instruments continued

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

Assets	Held at fair value through profit or loss						Investment securities		
	Loans and advances to banks \$million	Loans and advances to customers \$million	Reverse repurchase agreements and other similar secured lending \$million	Debt securities, alternative tier one and other eligible bills \$million	Equity shares \$million	Derivative financial instruments \$million	Debt securities, alternative tier one and other eligible bills \$million	Equity shares \$million	Total \$million
At 01 January 2022	9	410	1,555	312	98	67	40	392	2,883
Total (losses)/gains recognised in income statement	(22)	(64)	2	(127)	–	6	–	–	(205)
Net trading income	(22)	(64)	2	(127)	–	6	–	–	(205)
Other operating income	–	–	–	–	–	–	–	–	–
Total losses recognised in other comprehensive income (OCI)	–	–	–	–	–	–	–	(33)	(33)
Fair value through OCI reserve	–	–	–	–	–	–	–	(32)	(32)
Exchange difference	–	–	–	–	–	–	–	(1)	(1)
Purchases	89	180	2,742	346	59	39	–	60	3,515
Sales	(9)	(110)	(2,474)	(104)	(1)	(20)	–	(1)	(2,719)
Settlements	–	(46)	(221)	(2)	–	(4)	(25)	–	(298)
Transfers out <sup>1</sup>	–	(32)	–	–	(1)	(3)	–	–	(36)
Transfers in <sup>2</sup>	–	20	–	75	–	11	–	–	106
At 30 June 2022	67	358	1,604	500	156	96	15	418	3,214
Total unrealised (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of assets held at 30 June 2022	–	(40)	–	(2)	1	(2)	–	–	(43)

1 Transfers out includes loans and advances to customers, equity shares 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 to customers, debt securities, alternative tier one and other eligible bills and derivative financial instruments where the valuation parameters become unobservable during the period

## Notes to the financial statements continued

### 11. Financial instruments continued

	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 secured lending \$million	Debt securities, alternative tier one and other eligible bills \$million	Equity shares \$million	Derivative financial instruments \$million	Debt securities, alternative tier one and other eligible bills \$million	Equity shares \$million	Total \$million
Assets									
At 01 July 2022	67	358	1,604	500	156	96	15	418	3,214
Total gains/(losses) recognised in income statement	6	(15)	–	146	(6)	17	–	–	148
Net interest income									–
Net trading income	6	(15)	–	146	(6)	17	–	–	148
Other operating income	–	–	–	–	–	–	–	–	–
Impairment charge	–	–	–	–	–	–	–	–	–
Total (losses)/gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	(1)	38	37
Fair value through OCI reserve	–	–	–	–	–	–	–	39	39
Cash flow hedge reserve	–	–	–	–	–	–	–	–	–
Exchange difference	–	–	–	–	–	–	(1)	(1)	(2)
Purchases	(53)	969	3,674	397	(50)	83	–	24	5,044
Issues									
Sales	(20)	(127)	(3,011)	(238)	(1)	(55)	–	(5)	(3,457)
Settlements	–	(12)	(279)	1	–	(72)	(14)	–	(376)
Transfers out <sup>1</sup>	–	(74)	–	–	(7)	(26)	–	–	(107)
Transfers in <sup>2</sup>	21	209	–	1	–	1	–	9	241
Other Movement	–	–	–	–	–	–	–	–	–
At 31 December 2022	21	1,308	1,988	807	92	44	–	484	4,744
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	–	40	–	2	(7)	(6)	–	–	29

1 Transfers out includes loans and advances to customers, equity shares 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, derivative financial instruments and equity shares where the valuation parameters become unobservable during the period

## Notes to the financial statements continued

### 11. Financial instruments continued Level 3 movement tables – financial liabilities Group

	30.06.23					
	Deposits by banks \$million	Customer accounts \$million	Debt securities in issue \$million	Derivative financial instruments \$million	Short positions \$million	Total \$million
At 01 January 2023	133	170	427	118	40	888
Total (gains)/losses recognised in income statement – net trading income	(9)	(5)	(4)	3	–	(15)
Issues	167	204	622	217	–	1,210
Settlements	(165)	(268)	(518)	(161)	(40)	(1,152)
Transfers out <sup>1</sup>	–	(5)	(21)	(13)	–	(39)
Transfers in <sup>2</sup>	–	19	–	3	–	22
<b>At 30 June 2023</b>	<b>126</b>	<b>115</b>	<b>506</b>	<b>167</b>	<b>–</b>	<b>914</b>
Total unrealised (gains)/losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 30 June 2023	–	(6)	3	(12)	–	(15)

1 Transfers out primarily relates to customer accounts, debt securities in issue and derivative financial instruments where the valuation parameters became observable during the period and were transferred to Level 2 financial liabilities

2 Transfers in primarily relates to customer accounts and derivative financial instruments where the valuation parameters became unobservable during the period

	30.06.22					
	Deposits by banks \$million	Customer Accounts \$million	Debt securities in issue \$million	Derivative financial instruments \$million	Short positions \$million	Total \$million
At 01 January 2022	22	365	781	96	–	1,264
Total (gains)/losses recognised in income statement – net trading income	–	(37)	(134)	104	(3)	(70)
Issues	63	625	366	85	140	1,279
Settlements	(22)	(562)	(446)	(89)	(97)	(1,216)
Transfers out <sup>1</sup>	–	–	(24)	(4)	–	(28)
Transfers in <sup>2</sup>	–	–	76	1	–	77
<b>At 30 June 2022</b>	<b>63</b>	<b>391</b>	<b>619</b>	<b>193</b>	<b>40</b>	<b>1,306</b>
Total unrealised gains recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 30 June 2022	–	(2)	(7)	(2)	–	(11)

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

2 Transfers in primarily relates to debt securities in issue and derivative financial instruments where the valuation parameters became unobservable during the period

	31.12.22					
	Deposits by banks \$million	Customer Accounts \$million	Debt securities in issue \$million	Derivative financial instruments \$million	Short positions \$million	Total \$million
At 01 July 2022	63	391	619	193	40	1,306
Total (gains)/losses recognised in income statement – net trading income	(11)	(13)	(15)	50	–	11
Issues	81	280	371	89	–	821
Settlements	–	(537)	(535)	(202)	–	(1,274)
Transfers out <sup>1</sup>	–	–	(14)	(18)	–	(32)
Transfers in <sup>2</sup>	–	49	1	6	–	56
<b>At 31 December 2022</b>	<b>133</b>	<b>170</b>	<b>427</b>	<b>118</b>	<b>40</b>	<b>888</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)	(15)	–	(1)	–	(17)

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

2 Transfers in primarily relates to customer accounts, debt securities in issue and derivative financial instruments where the valuation parameters became unobservable during the period

## 11. 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.

**Group**

	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	945	954	917	–	–	–
Reverse Repurchase agreements and other similar secured lending	1515	1521	1509	–	–	–
Debt securities, alternative tier one and other eligible bills	868	988	751	51	55	47
Equity shares	79	88	70	207	224	190
Derivative financial instruments	(57)	(27)	(87)	–	–	–
Customers accounts	(115)	(109)	(121)	–	–	–
Deposits by banks	(126)	(127)	(127)	–	–	–
Short positions	–	–	–	–	–	–
Debt securities in issue	(506)	(467)	(545)	–	–	–
<b>At 30 June 2023</b>	<b>2,603</b>	<b>2,821</b>	<b>2,367</b>	<b>258</b>	<b>279</b>	<b>237</b>

**Financial instruments held at fair value**

Loans and advances	1,329	1,348	1,268	–	–	–
Reverse Repurchase agreements and other similar secured lending	1,988	2,003	1,969	–	–	–
Debt securities, alternative tier one and other eligible bills	807	818	783	–	–	–
Equity shares	92	101	83	484	528	441
Derivative financial instruments	(74)	(41)	(107)	–	–	–
Customers accounts	(170)	(164)	(176)	–	–	–
Deposits by banks	(133)	(128)	(138)	–	–	–
Short positions	(40)	(39)	(41)	–	–	–
Debt securities in issue	(427)	(395)	(458)	–	–	–
<b>At 31 December 2022</b>	<b>3,372</b>	<b>3,503</b>	<b>3,183</b>	<b>484</b>	<b>528</b>	<b>441</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	30.06.23 \$million	31.12.22 \$million
Held at fair value through profit or loss	Possible increase	218	131
	Possible decrease	(236)	(189)
Fair value through other comprehensive income	Possible increase	21	44
	Possible decrease	(21)	(43)

## 12. Derivative financial instruments

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

### Derivatives Group

Derivatives	30.06.23			31.12.22		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
<b>Foreign exchange derivative contracts:</b>						
Forward foreign exchange contracts	3,215,134	41,131	39,605	2,901,200	45,187	45,162
Currency swaps and options	975,025	11,054	11,637	999,374	11,391	12,589
	4,190,159	52,185	51,242	3,900,574	56,578	57,751
<b>Interest rate derivative contracts:</b>						
Swaps	4,660,155	62,829	64,654	3,213,891	58,440	60,124
Forward rate agreements and options	169,857	2,154	2,712	95,480	2,140	2,838
Exchange traded futures and options	446,812	20	37	324,225	279	258
	5,276,824	65,003	67,403	3,633,596	60,859	63,220
Credit derivative contracts	265,122	410	418	246,802	406	433
Equity and stock index options	4,438	58	126	4,912	86	158
Commodity derivative contracts	106,155	1,657	1,535	83,738	1,312	1,487
<b>Gross total derivatives</b>	<b>9,842,698</b>	<b>119,313</b>	<b>120,724</b>	<b>7,869,622</b>	<b>119,241</b>	<b>123,049</b>
Offset	–	(58,388)	(58,388)	–	(54,191)	(54,191)
<b>Total derivatives</b>	<b>9,842,698</b>	<b>60,925</b>	<b>62,336</b>	<b>7,869,622</b>	<b>65,050</b>	<b>68,858</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.

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 32).

## 12. Derivative financial instruments continued

**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.

**Group**

	30.06.23			31.12.22		
	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	57,426	1,753	1,350	56,127	2,052	1,509
Currency swaps	158	11	9	114	14	4
	<b>57,584</b>	<b>1,764</b>	<b>1,359</b>	<b>56,241</b>	<b>2,066</b>	<b>1,513</b>
<b>Derivatives designated as cash flow hedges:</b>						
Interest rate swaps	22,585	26	542	22,820	25	576
Forward foreign exchange contracts	8,007	454	59	11,889	97	385
Currency swaps	1,384	22	33	1,336	5	50
	<b>31,976</b>	<b>502</b>	<b>634</b>	<b>36,045</b>	<b>127</b>	<b>1,011</b>
<b>Derivatives designated as net investment hedges:</b>						
Forward foreign exchange contracts	6,305	32	24	3,130	17	51
<b>Total derivatives held for hedging</b>	<b>95,865</b>	<b>2,298</b>	<b>2,017</b>	<b>95,416</b>	<b>2,210</b>	<b>2,575</b>

**Interest rate benchmark reform**

As at 30 June 2023, there are no derivative instruments designated in fair value or cash flow hedge accounting relationships that were linked to IBOR reference rates (31 December 2022: \$45,540 million).

**13. Reverse repurchase and repurchase agreements including other similar lending and borrowing****Reverse repurchase agreements and other similar secured lending****Group**

	30.06.23 \$million	31.12.22 \$million
Banks	31,417	24,154
Customers	46,633	54,643
	78,050	78,797
Of which:		
Fair value through profit or loss	66,717	62,333
Banks	30,098	23,276
Customers	36,619	39,057
Held at amortised cost	11,333	16,464
Banks	1,319	878
Customers	10,014	15,586

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:

	30.06.23 \$million	31.12.22 \$million
Securities and collateral received (at fair value)	106,616	113,744
Securities and collateral which can be repledged or sold (at fair value)	106,509	113,624
Amounts repledged/transferred to others for financing activities, to satisfy liabilities under sale and repurchase agreements (at fair value)	43,439	44,628

**Repurchase agreements and other similar secured borrowing****Group**

	30.06.23 \$million	31.12.22 \$million
Banks	8,541	6,536
Customers	43,209	45,857
	51,750	52,393
Of which:		
Fair value through profit or loss	40,748	50,402
Banks	7,514	5,422
Customers	33,234	44,980
Held at amortised cost	11,002	1,991
Banks	1,027	1,114
Customers	9,975	877

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

	30.06.23				
	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	4,454	2,348	2,515	–	9,317
<b>Off-balance sheet</b>					
Repledged collateral received	–	–	–	43,439	43,439
<b>At 30 June 2023</b>	<b>4,454</b>	<b>2,348</b>	<b>2,515</b>	<b>43,439</b>	<b>52,756</b>



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

	31.12.22				
	Fair value through profit or loss \$million	Fair value through other comprehensive income \$million	Amortised cost \$million	Off-balance sheet \$million	Total \$million
<b>Collateral pledged against repurchase agreements</b>					
<b>On-balance sheet</b>					
Debt securities and other eligible bills	1,629	3,624	4,799	–	10,052
<b>Off-balance sheet</b>					
Repledged collateral received	–	–	–	44,628	44,628
<b>At 31 December 2022</b>	<b>1,629</b>	<b>3,624</b>	<b>4,799</b>	<b>44,628</b>	<b>54,680</b>

## 14. Goodwill and intangible assets

## Group

	30.06.23				31.12.22			
	Goodwill \$million	Acquired intangibles \$million	Computer software \$million	Total \$million	Goodwill \$million	Acquired intangibles \$million	Computer software \$million	Total \$million
<b>Cost</b>								
<b>At 1 January</b>	<b>1,323</b>	<b>143</b>	<b>3,962</b>	<b>5,428</b>	<b>1,379</b>	<b>148</b>	<b>3,569</b>	<b>5,096</b>
Exchange translation differences	(28)	(6)	(35)	(69)	(44)	(5)	1	(48)
Additions	–	–	223	223	–	–	761	761
Impairment	–	–	–	–	(10)	–	(18)	(28)
Amounts written off	–	–	(28)	(28)	–	–	(346)	(346)
Classified as held for sale	–	–	–	–	(2)	–	(5)	(7)
<b>At 31 December</b>	<b>1,295</b>	<b>137</b>	<b>4,122</b>	<b>5,554</b>	<b>1,323</b>	<b>143</b>	<b>3,962</b>	<b>5,428</b>
<b>Provision for amortisation</b>								
<b>At 1 January</b>	<b>–</b>	<b>119</b>	<b>1,257</b>	<b>1,376</b>	<b>–</b>	<b>118</b>	<b>1,178</b>	<b>1,296</b>
Exchange translation differences	–	(6)	(16)	(22)	–	(5)	(6)	(11)
Amortisation	–	2	222	224	–	6	379	385
Impairment charge	–	–	11	11	–	–	39	39
Classified as held for sale	–	–	4	4	–	–	(4)	(4)
Amounts written off	–	–	(26)	(26)	–	–	(329)	(329)
<b>At 30 June/31 December</b>	<b>–</b>	<b>115</b>	<b>1,452</b>	<b>1,567</b>	<b>–</b>	<b>119</b>	<b>1,257</b>	<b>1,376</b>
<b>Net book value</b>	<b>1,295</b>	<b>22</b>	<b>2,670</b>	<b>3,987</b>	<b>1,323</b>	<b>24</b>	<b>2,705</b>	<b>4,052</b>

At 30 June 2023, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to \$ 3,237 million (31.12.22: \$3,237 million), of which \$nil million was recognised in half year 2023 (31.12.22: \$10 million).

The Group assessed the goodwill assigned to each of the Group's CGUs and determined that there are no indicators of impairment; therefore, estimates of the recoverable amounts for the CGUs were not calculated at 30 June 2023.

## 15. Property, plant and equipment Group

	30.06.23				
	Premises \$million	Equipment \$million	Leased premises assets \$million	Leased equipment assets \$million	Total \$million
<b>Cost or valuation</b>					
<b>At 1 January</b>	549	519	780	7	1,855
Exchange translation differences	(22)	(12)	(3)	–	(37)
Additions <sup>1</sup>	5	26	101	–	132
Disposals and fully depreciated assets written off <sup>2</sup>	(30)	(94)	(16)	–	(140)
Transfers to assets held for sale	20	–	–	–	20
<b>As at 30 June</b>	522	439	862	7	1,830
<b>Depreciation</b>					
<b>Accumulated at 1 January</b>	207	348	302	4	861
Exchange translation differences	(8)	(7)	(4)	–	(19)
Charge for the year	14	37	53	–	104
Impairment (release)/charge	–	–	2	–	2
Attributable to assets sold, transferred or written off <sup>2</sup>	(28)	(94)	(16)	–	(138)
Transfers to assets held for sale	5	–	–	–	5
<b>Accumulated at 30 June</b>	190	284	337	4	815
<b>Net book amount at 30 June</b>	332	155	525	3	1,015

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 \$31 million on page 49

2 Disposals for property, plant and equipment during the year of \$10 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 Group

	31.12.22				
	Premises \$million	Equipment \$million	Leased premises assets \$million	Leased equipment assets \$million	Total \$million
<b>Cost or valuation</b>					
<b>At 1 January</b>	663	566	879	8	2,116
Exchange translation differences	(31)	(47)	(78)	(1)	(157)
Additions <sup>1</sup>	55	84	247	–	386
Disposals and fully depreciated assets written off <sup>2</sup>	(82)	(66)	(263)	–	(411)
Transfers to assets held for sale	(56)	(18)	(5)	–	(79)
<b>As at 31 December</b>	549	519	780	7	1,855
<b>Depreciation</b>					
<b>Accumulated at 1 January</b>	298	366	376	5	1,045
Exchange translation differences	(16)	(26)	(22)	(2)	(66)
Charge for the year	32	85	108	1	226
Impairment (release)/charge	1	–	4	–	5
Attributable to assets sold, transferred or written off <sup>2</sup>	(80)	(65)	(162)	–	(307)
Transfers to assets held for sale	(28)	(12)	(2)	–	(42)
<b>Accumulated at 31 December</b>	207	348	302	4	861
<b>Net book amount at 31 December</b>	342	171	478	3	994

1 Refer to the cash flow statement under cash flows (FY22) from investing activities section for the purchase of property, plant and equipment during the year of \$139 million

2 Disposals for property, plant and equipment during the year of \$30 million in the cash flow statement (FY22) would include the gains and losses incurred as part of other operating income (FY 22 Note 6) on disposal of assets during the year and the net book value disposed Group

**16. Other assets****Group**

	30.06.23 \$million	31.12.22 \$million
Financial assets held at amortised cost (Note 11):		
Cash collateral	7,464	11,372
Acceptances and endorsements	3,313	3,777
Unsettled trades and other financial assets	15,120	12,061
	25,897	27,210
Non-financial assets:		
Commodities and emissions certificates <sup>1</sup>	7,764	10,174
Other assets	251	257
	33,912	37,641

1 Commodities and emissions certificates are carried at fair value less costs to sell, \$1.9 billion (31 December 2022: \$5.5 billion) are classified as Level 1 and \$5.8 billion are classified as Level 2 (31 December 2022: \$4.6 billion).

**17. Assets held for sale and associated liabilities****Group****Assets held for sale**

On 11 January 2023 the Group announced its intention to explore alternatives for the future ownership of its aviation finance loan and lease finance business within the CCIB business segment to enable a new investor to drive the next phase of growth in the business while the Group continues to focus on its commitment to improve shareholder returns and deliver on its 2024 targets. A commitment to sell the business to a third party was made during 1Q 2023. During 2Q 2023 a decision was made to sell the loan and lease businesses separately and it is anticipated the separate sales will be completed before the end of 2023. Consequently \$2 billion of Aviation loans and the Group's equity share of \$37 million in the SDH Wings Leasing International Limited Joint Venture (incorporated in Ireland) were classified as 'Assets classified as held for sale', with no gain or loss on measurement. Subsequently, it was determined that \$1.1 billion of Aviation loans would no longer form part of the sale for commercial reasons, reducing the balance of Aviation loans classified within 'Assets classified as held for sale' to \$815 million.

The financial assets reported below are classified under Level 1 \$nil million (31 December 2022: \$345 million), Level 2 \$1,792 million (31 December 2022: \$946 million) and Level 3 \$459 million (31 December 2022: \$100 million).

	30.06.23 \$million	31.12.22 \$million
<b>Financial assets held at fair value through profit or loss</b>	<b>39</b>	<b>3</b>
Loans and advances to customers	–	–
Equity shares	39	2
Derivative financial instruments – Assets	–	1
<b>Financial assets held at amortised cost<sup>1</sup></b>	<b>2,212</b>	<b>1,388</b>
Cash and balances at central banks	594	423
Loans and advances to banks	238	81
Loans and advances to customers	1,078	508
Debt securities held at amortised cost	302	376
Goodwill and intangible assets	2	4
<b>Property, plant and equipment</b>	<b>24</b>	<b>36</b>
Others	24	36
Other assets	34	55
	2,311	1,486

1 The amount reported is after adjustment for ECL

## Notes to the financial statements continued

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

#### Liabilities held for sale

The financial liabilities reported below are classified under Level 1 \$nil million (31 December 2022: \$402 million) and Level 2 \$1,194 million (31 December 2022: \$833 million).

	30.06.23 \$million	31.12.22 \$million
<b>Financial liabilities held at fair value through profit or loss</b>	–	5
Derivative financial instruments	–	5
<b>Financial liabilities held at amortised cost</b>	<b>1,194</b>	<b>1,230</b>
Deposits by banks	15	17
Customer accounts	1,179	1,213
Other liabilities	62	64
Provisions for liabilities and charges	1	8
	<b>1,257</b>	<b>1,307</b>

### 18. Other liabilities

#### Group

	30.06.23 \$million	31.12.22 \$million
<b>Financial liabilities held at amortized cost (Note 11)</b>		
Acceptances and endorsements	3,316	3,842
Cash collateral	8,358	8,304
Property leases	588	550
Equipment leases	2	2
Unsettled trades and other financial liabilities	18,666	12,869
	<b>30,930</b>	<b>25,567</b>
<b>Non-financial liabilities</b>		
Cash-settled share-based payments	–	2
Other liabilities	363	356
	<b>31,293</b>	<b>25,925</b>

### 19. Contingent liabilities and commitments

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.

#### Group

	30.06.23 \$million	31.12.22 \$million
<b>Financial guarantees and trade credits</b>		
Financial guarantees, trade and irrevocable letters of credit	55,292	47,799
	<b>55,292</b>	<b>47,799</b>
<b>Commitments</b>		
<b>Undrawn formal standby facilities, credit lines and other commitments to lend</b>		
One year and over	57,906	54,610
Less than one year	18,661	18,429
Unconditionally cancellable	36,065	34,846
	<b>112,632</b>	<b>107,885</b>
<b>Capital commitments</b>		
Contracted capital expenditure approved by the directors but not provided for in these accounts <sup>1</sup>	3	11

## 19. Contingent liabilities and commitments continued

The table below shows the contract or underlying principal amounts and risk-weighted amounts of unmatured Group 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.

### Group

	30.06.23 \$million	31.12.22 \$million
<b>Financial guarantees and trade credits (Group)</b>		
Financial guarantees, trade and irrevocable letters of credit	3,356	3,076
	3,356	3,076
<b>Commitments (Group)</b>		
Undrawn commitments	1,091	1,007
	1,091	1,007

## 20. 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 PLC 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 attacks in Iraq and Afghanistan. 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 United States Anti-Terrorism Act. None of these lawsuits specify the amount of damages claimed. The PLC Group continues to defend these lawsuits.

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 PLC Group. It is alleged that the individuals breached their duties to the PLC Group and caused a waste of corporate assets by permitting the conduct that gave rise to the costs and losses to the PLC 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.

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.

## 21. Subordinated liabilities and other borrowed funds

	30.06.23 \$million	31.12.22 \$million
USD	9,043	11,028
GBP	1,302	1,264
EUR	1,092	977
<b>Total</b>	<b>11,437</b>	<b>13,269</b>

**Redemptions and repurchases during the year**

On 11th January 2023, Standard Chartered Bank exercised its rights to redeem USD 2 billion 2.33 per cent subordinated debt 2023.

**Issuances during the year**

There are no issuance during the period.

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

	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
<b>At 1 January 2022</b>	20,597	20,597	296	1,500	22,393	4,749
Additional Tier 1 redemption	–	–	–	–	–	(999)
<b>At 30 June 2022</b>	20,597	20,597	296	1,500	22,393	3,750
Additional Tier 1 equity issuance	–	–	–	–	–	1,000
<b>At 31 December 2022</b>	<b>20,597</b>	<b>20,597</b>	<b>296</b>	<b>1,500</b>	<b>22,393</b>	<b>4,750</b>
Cancellation of shares including share buy-back	–	–	–	(750)	(750)	–
Additional Tier 1 equity issuance	–	–	–	–	–	992
Additional Tier 1 redemption	–	–	–	–	–	(1,000)
<b>At 30 June 2023</b>	<b>20,597</b>	<b>20,597</b>	<b>296</b>	<b>750</b>	<b>21,643</b>	<b>4,742</b>

1 Issued and fully paid ordinary shares of \$1 each

2 Includes preference share capital of \$37,500

**Ordinary share capital**

The authorised share capital of the Company at 30 June 2023 was \$26,789 million and TWD 1,225 million (31 December 2022: \$26,789 million and TWD 1,225 million) made up of 26,782 million ordinary shares of \$1 each, 2.4 million non-cumulative irredeemable preference shares of \$0.01 each, 1 million non-cumulative preference shares of \$5 each, 15,000 non-cumulative redeemable preference shares of \$5 each, 462,500 non-cumulative redeemable 8.125% preference shares of \$5 each and 50 million non-cumulative redeemable preference shares of TWD 24.50 each.

The issued share capital of the Company at 30 June 2023 was \$20,597 million (31 December 2022: \$20,597 million) made up of: 20,597 million ordinary shares of \$1 each.

There was no new issue of shares during the year. The Company has one class of ordinary shares, which carries no rights to fixed income. Subject to any special rights or restrictions as to voting attached to any shares in accordance with the Company's Royal Charter Bye-Laws and Rules, on a show of hands every member present at a general meeting by a representative or proxy shall have one vote. On a poll, every member holding shares or stock of less than the nominal amount of US\$25 shall not have any vote, but every other member who is present in person or by proxy shall have votes in accordance with the following scale:

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

### Nominal amount of Shares or Stock held Number of Votes

US\$25 or more but less than US\$50	1 vote
US\$50 or more but less than US\$100	2 votes
US\$100 or more but less than US\$250	3 votes
US\$250 or more but less than US\$375	4 votes
US\$375 or more but less than US\$500	5 votes
US\$500 or more but less than US\$750	6 votes
US\$750 or more but less than US\$1,000	7 votes
US\$1,000 or more but less than US\$1,250	8 votes
US\$1,250 or more but less than US\$1,500	9 votes
US\$1,500 or more	10 votes

### Preference share capital

7,500 non-cumulative redeemable preference shares issued on 8 December 2006 with a nominal value of \$5 each and 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 in whole or in part on 31 Jan 2027 and on any quarterly dividend payment date falling on or around ten-year intervals thereafter. The amount payable on redemption will be the paid-up amount of \$100,000 per preference share to be redeemed, plus an amount equal to the accrued but unpaid dividend thereon up to but excluding the redemption date.

### Other equity instruments

The table provides details of outstanding Fixed Rate Resetting Perpetual Subordinated Contingent Convertible AT1 securities issued by Standard Chartered Bank. All issuances are made for general business purposes and to increase the regulatory capital base of the Group.

Issuance date	Nominal value	Interest rate <sup>1</sup>	Coupon payment dates <sup>2</sup>	First reset dates <sup>3</sup>
14 January 2021	USD 1,250 million	4.75%	14 January, 14 July each year	14 July 2031
19 August 2021	USD 1,500 million	4.30%	19 February, 19 August each year	19 August 2028
15 August 2022	USD 1,000 million	7.75%	15 February, 15 August each year	15 February 2028
31 March 2023	USD 750 million	7.75%	30 January, 30 July each year	30 July 2037
31 March 2023	GBP 96 million	7.90%	4 April, 4 October each year	4 April 2028
31 March 2023	GBP 99 million	7.90%	4 April, 4 October each year	4 April 2028

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

2 Interest payable semi-annually in arrears

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

Standard Chartered Bank redeemed \$1,000m Fixed Rate Resetting Perpetual Contingent Convertible Securities on its first optional redemption date of 2 April 2023.

The principal terms of the AT1 securities are described below:

- The securities are perpetual and redeemable, at the option of the Company in whole but not in part, on the first call date or on any fifth anniversary after the first call 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 the Company 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 the Company, subject to certain additional restrictions set out in the terms and conditions. Accordingly, the Company 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 will be written down in full should the fully loaded Common Equity Tier 1 ratio of the issuer fall below 7.0 per cent (a Loss Absorption Event).

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

The securities rank behind the claims against the Company of: (a) unsubordinated creditors; (b) claims which are expressed to be subordinated to the claims of unsubordinated creditors of the Company but not further or otherwise; or (c) claims which are, or are expressed to be, junior to the claims of other creditors of the Company, 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 Loss Absorption Event.

### 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.

- 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 and own shares held (treasury shares).

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 30 June 2023, the distributable reserves of Standard Chartered Bank (the Company) were \$4.1 billion (2022: \$5.2 billion). These comprised of retained earnings. Distribution of reserves is subject to maintaining minimum capital requirements.



**23. Retirement benefit obligations****Group**

Retirement benefit obligations comprise:

	30.06.23 \$million	31.12.22 \$million	30.06.22 \$million
Total market value of assets	1,601	1,552	1,797
Present value of the plans liabilities	(1,724)	(1,699)	(1,911)
Defined benefit plans obligation	123	147	113
Defined contribution plans obligation	16	19	20
<b>Net obligation</b>	<b>139</b>	<b>166</b>	<b>133</b>

Retirement benefit charge comprises:

	30.06.23 \$million	31.12.22 \$million	30.06.22 \$million
Defined benefit plans <sup>1</sup>	23	28	14
Defined contribution plans	133	247	122
<b>Charge against profit</b>	<b>156</b>	<b>275</b>	<b>136</b>

<sup>1</sup> Includes administrative expenses paid out of plan assets of \$1 million

The Group operates around 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.

Material holdings of government and corporate bonds 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 over 2023 in discount rates in the UK, which accounts for more than half of total liabilities, have led to lower liabilities. These have been partly offset by decreases in the value of assets held, but overall there has been a fall in the pension deficit reported. These movements are shown as actuarial gains and losses in the tables above.

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 30 June 2023.

## 24. Related party transactions

### Directors and officers

As at 30 June 2023, Standard Chartered Bank had in place a charge over \$67 million (31 December 2022: \$89 million) of cash assets in favour of the independent trustee of its employer financed retirement benefit scheme.

There were no changes in the related party transactions described in the Annual Report 2022 that could have or have had a material effect on the financial position or performance of the Group in the period ended 30 June 2023. All related party transactions have taken place in the period were similar in nature to those disclosed in Annual Report 2022.

### Associates and joint ventures

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

	30.06.23 \$million	31.12.22 \$million
<b>Assets</b>		
Loans and advances	–	20
Derivative assets	22	18
<b>Total assets</b>	<b>22</b>	<b>38</b>
<b>Liabilities</b>		
Deposits	70	49
Other liabilities	499	19
<b>Total liabilities</b>	<b>569</b>	<b>68</b>
Loan commitments and other guarantees <sup>1</sup>	103	164

1 The maximum loan commitments and other guarantees during the period was \$103 million

### SC Ventures Limited disposal

On 6 June 2023, the Group sold its subsidiary SC Ventures Holdings Limited (formerly SC UK Holdings Limited) and its associated subsidiary undertakings to Standard Chartered I H Limited (a fellow group undertaking of Standard Chartered PLC) for the purchase price of \$464 million, giving rise to a gain on disposal of \$416 million.

## 25. Post balance sheet events

On 14 July 2023 Standard Chartered (the Bank) and Access Bank Plc (Access) have entered into agreements for the sale of Standard Chartered's shareholding in its subsidiaries Standard Chartered Bank Angola S.A., Standard Chartered Bank Cameroon S.A., Standard Chartered Bank Gambia Limited, Standard Chartered Bank Sierra Leone Limited and its CPBB business in Standard Chartered Bank Tanzania Limited. Each transaction remains subject to the approval of the respective local regulators and the banking regulator in Nigeria. The Group does not expect the financial effect from this disposal to be material on its results.

**26. Cash flow statement****Adjustment for non-cash items and other adjustments included within income statement**

	Group	
	30.06.23 \$million	30.06.22 \$million
Amortisation of discounts and premiums of investment securities	(79)	137
Interest expense on subordinated liabilities	439	232
Interest expense on senior debt securities in issue	258	(28)
Other non-cash items	(533)	(18)
Pension costs for defined benefit schemes	23	15
Share-based payment costs	82	100
Impairment losses on loans and advances and other credit risk provisions	(22)	(167)
Other impairment	14	10
Gain on disposal of property, plant and equipment	(6)	(5)
Loss/(gain) on disposal of FVOCI & AMCST financial assets	91	(6)
Depreciation and amortisation	329	306
Fair value changes taken to income statement	(342)	(76)
Foreign Currency revaluation	(97)	(128)
Profit from associates and joint ventures	9	4
<b>Total</b>	<b>166</b>	<b>376</b>

**Change in operating assets**

	Group	
	30.06.23 \$million	30.06.22 \$million
Decrease/(increase) in derivative financial instruments	2,784	(19,826)
(Increase)/decrease in debt securities, treasury bills and equity shares held at fair value through profit or loss	(6,725)	3,759
Net decrease/(increase) in loans and advances to banks and customers	6,212	(371)
Net increase in prepayments and accrued income	(275)	(234)
Net decrease/(increase) in other assets	1,089	(8,036)
<b>Total</b>	<b>3,085</b>	<b>(24,708)</b>

**Change in operating liabilities**

	Group	
	30.06.23 \$million	30.06.22 \$million
(Decrease)/increase in derivative financial instruments	(5,293)	18,402
Increase/(decrease) in deposits from banks, customer accounts, debt securities in issue and short positions	19,206	(4,099)
Increase/(decrease) in accruals and deferred income	155	(356)
Net increase in other liabilities	7,078	13,180
Net decrease in amount due to parents/subsidiaries/other related	(2,838)	(662)
<b>Total</b>	<b>18,308</b>	<b>26,465</b>

**Disclosures**

	Group	
	30.06.23 \$million	30.06.22 \$million
Subordinated debt (including accrued interest):		
Opening balance	13,272	14,621
Proceeds from the issue	–	750
Interest paid	(281)	(184)
Repayment	(2,000)	(48)
Foreign exchange movements	97	(235)
Fair value changes	70	(495)
Accrued Interest and Others	281	182
<b>Closing balance</b>	<b>11,439</b>	<b>14,591</b>

## 26. Cash flow statement continued

	Group	
	30.06.23 \$million	30.06.22 \$million
Senior debt (including accrued interest):		
Opening balance	5,154	1,289
Proceeds from the issue	3,157	2,476
Interest paid	(101)	(8)
Repayment	(1,048)	(849)
Foreign exchange movements	(10)	(29)
Fair value changes	(3)	1
Accrued Interest and Others	(475)	43
<b>Closing balance</b>	<b>6,674</b>	<b>2,923</b>

## 27. Statutory accounts

The information in this Half Year Report is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. All references to statutory performance/results within this Half Year Report means amounts reported under UK-adopted IAS and EU IFRS as defined in Note 1 or in reference to the statutory accounts for the year ended 31 December 2022, unless otherwise stated. This document was approved by the Court on 28 July 2023. The statutory accounts for the year ended 31 December 2022 have been audited and delivered to the Registrar of Companies in England and Wales. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under sections 498(2) and 498(3) of the Companies Act 2006.

## Supplementary financial information

### Insured and uninsured deposits

#### Group

SCB operates and provides services to customers across many countries and insured deposit is determined on the basis of limits enacted within local regulations.

	30.06.23		31.12.22	
	Bank deposits \$million	Customer accounts \$million	Bank deposits \$million	Customer accounts \$million
<b>Insured deposits</b>	<b>142</b>	<b>18,889</b>	<b>28</b>	<b>16,218</b>
Current accounts	9	7,588	8	8,336
Savings deposits	–	6,237	–	4,352
Time deposits	19	4,967	20	3,467
Other deposits	114	97	–	63
<b>Uninsured deposits</b>	<b>33,256</b>	<b>284,865</b>	<b>31,244</b>	<b>279,269</b>
Current accounts	18,294	113,476	18,970	107,316
Savings deposits	–	12,192	–	14,339
Time deposits	6,180	114,867	5,381	110,379
Other deposits	8,782	44,330	6,893	47,235
<b>Total</b>	<b>33,398</b>	<b>303,754</b>	<b>31,272</b>	<b>295,487</b>

Classification of insured deposits is based on the local deposits insurance regulations existing in the jurisdictions in which the Group operates. The jurisdictions with the most significant levels of customer deposits are Hong Kong, Korea and Singapore, which provide insurance for deposits up to SGD 75,000, in each case based on the total relationship value.

### UK and non-UK deposits

#### Group

The following table summarises the split of Bank and Customer deposits into UK and Non-UK deposits for respective account lines based on the domicile or residence of the clients.

	30.06.23		31.12.22	
	Bank deposits \$million	Customer accounts \$million	Bank deposits \$million	Customer accounts \$million
<b>UK deposits</b>	<b>2,687</b>	<b>27,043</b>	<b>4,109</b>	<b>36,461</b>
Current accounts	909	6,818	849	7,481
Savings deposits	–	19	–	34
Time deposits	246	5,443	1,004	6,558
Other deposits	1,532	14,763	2,256	22,388
<b>Non-UK deposits</b>	<b>30,711</b>	<b>276,711</b>	<b>27,163</b>	<b>259,026</b>
Current accounts	17,394	114,246	18,129	108,171
Savings deposits	–	18,410	–	18,657
Time deposits	5,953	114,391	4,397	107,288
Other deposits	7,364	29,664	4,637	24,910
<b>Total</b>	<b>33,398</b>	<b>303,754</b>	<b>31,272</b>	<b>295,487</b>

## Supplementary financial information continued

### Contractual maturity of Loans, Investment securities and Deposits Group

30.06.23							
	Loans and advances to banks \$million	Loans and advances to customers \$million	Investment securities – Treasury and other eligible Bills \$million	Investment securities – Debt securities \$million	Investment securities – Equity shares \$million	Bank deposits \$million	Customer accounts \$million
One year or less	51,861	131,664	19,794	20,420	–	31,199	296,118
Between one and five years	3,781	28,232	367	40,575	–	2,195	7,427
Between five and ten years	415	9,083	1	16,574	–	4	145
Between ten years and fifteen years	85	6,780	–	9,707	–	–	52
More than fifteen years and undated	322	17,589	–	12,380	1,221	–	12
<b>Total</b>	<b>56,464</b>	<b>193,348</b>	<b>20,161</b>	<b>99,655</b>	<b>1,221</b>	<b>33,398</b>	<b>303,754</b>
<b>Total amortised cost and FVOCI exposures</b>	<b>24,240</b>	<b>153,675</b>					
Fixed interest rate exposures	20,923	98,060					
Floating interest rate exposures	3,317	55,615					

  

31.12.22							
	Loans and advances to banks \$million	Loans and advances to customers \$million	Investment securities – Treasury and other eligible Bills \$million	Investment securities – Debt securities \$million	Investment securities – Equity shares \$million	Bank deposits \$million	Customer accounts \$million
One year or less	47,334	139,074	25,668	20,194	–	29,918	288,472
Between one and five years	3,549	28,958	430	40,005	–	1,348	6,860
Between five and ten years	361	9,435	–	17,884	–	6	90
Between ten years and fifteen years	92	6,387	–	12,843	–	–	48
More than fifteen years and undated	182	17,394	–	8,811	2,490	–	17
<b>Total</b>	<b>51,518</b>	<b>201,248</b>	<b>26,098</b>	<b>99,737</b>	<b>2,490</b>	<b>31,272</b>	<b>295,487</b>
<b>Total amortised cost and FVOCI exposures</b>	<b>27,382</b>	<b>158,126</b>					
Fixed interest rate exposures	26,083	89,636					
Floating interest rate exposures	1,300	68,490					

### Maturity and yield of Debt securities, alternative tier one and other eligible bills held at amortised cost Group

	One year or less		Between one and five years		Between five and ten years		More than ten years		Total	
	\$million	Yield %	\$million	Yield %	\$million	Yield %	\$million	Yield %	\$million	Yield %
Central and other government agencies										
• US	1,221	1.40	4,776	1.49	6,136	1.56	4,271	3.91	16,404	2.14
• UK	45	1.25	108	1.43	–	–	51	0.88	204	1.25
• Other	1,063	3.37	5,505	2.76	1,661	2.93	–	–	8,229	2.88
Other debt securities	2,391	6.52	1,894	5.37	1,912	6.01	8,987	4.87	15,184	5.34
<b>As at 30 June 2023</b>	<b>4,720</b>	<b>4.44</b>	<b>12,283</b>	<b>2.66</b>	<b>9,709</b>	<b>2.67</b>	<b>13,309</b>	<b>4.55</b>	<b>40,021</b>	<b>3.50</b>

## Supplementary financial information continued

	One year or less		Between one and five years		Between five and ten years		More than ten years		Total	
	\$million	Yield %	\$million	Yield %	\$million	Yield %	\$million	Yield %	\$million	Yield %
Central and other government agencies										
• US	1,860	1.56	3,803	1.42	4,900	1.27	4,498	3.47	15,062	2.00
• UK	–	–	85	1.98	60	0.50	47	0.90	191	1.26
• Other	579	2.58	5,401	2.39	3,056	2.21	–	–	9,036	2.34
Other debt securities	3,188	4.66	1,982	5.64	1,453	3.82	10,890	3.32	17,513	3.87
<b>As at 31 December 2022</b>	<b>5,627</b>	<b>3.42</b>	<b>11,271</b>	<b>2.63</b>	<b>9,469</b>	<b>1.96</b>	<b>15,435</b>	<b>3.36</b>	<b>41,802</b>	<b>2.85</b>

The maturity distributions are presented in the above table on the basis of residual contractual maturity dates. The weighted average yield for each range of maturities is calculated by dividing the annualised interest income for the year by the book amount of debt securities at that date.

### Average balance sheets and yields and Net Interest Margin Group

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

Statutory net interest income is adjusted to remove interest expense on amortised cost liabilities used to provide funding to the financial Markets business. Financial instruments measured at fair value through profit or loss are classified as non-interest earning. Premiums on financial guarantees purchased to manage interest earning assets are treated as interest expense. In the Group's view this results in a net interest margin that is more reflective of banking book performance.

The following tables set out the average balances and yields for the Group's assets and liabilities for the periods ended 30 June 2023, 31 December 2022 and 30 June 2022 under the revised definition of net interest margin.

For the purpose of these tables, average balances have been determined on the basis of daily balances, except for certain categories, for which balances have been determined less frequently. The Group does not believe that the information presented in these tables would be significantly different had such balances been determined on a daily basis.

	6 months ended 30.06.23				
	Average non-interest earning balance \$million	Average interest earning balance \$million	Interest income \$million	Gross yield %	Gross yield total balance %
<b>Average assets</b>					
Cash and balances at central banks	7,118	60,848	1,201	3.98	3.56
Gross loans and advances to banks	30,120	26,314	597	4.58	2.13
Gross loans and advances to customers	52,839	158,524	4,365	5.55	4.16
Impairment provisions against loans and advances to banks and customers	–	(4,503)	–	–	–
Investment securities – Treasury and Other Eligible Bills	3,678	20,393	599	5.92	5.02
Investment securities – Debt Securities	11,647	89,285	1,692	3.82	3.38
Investment securities – Equity Shares	1,371	–	–	–	–
Due from subsidiary undertakings and other related parties	–	6,093	79	2.61	2.61
Property, plant and equipment and intangible assets	4,148	–	–	–	–
Prepayments, accrued income and other assets	97,339	–	–	–	–
Investment associates and joint ventures	130	–	–	–	–
<b>Total average assets</b>	<b>208,390</b>	<b>356,954</b>	<b>8,533</b>	<b>4.82</b>	<b>3.04</b>

## Supplementary financial information continued

6 months ended 31.12.22

Average assets	Average non-interest earning balance \$million	Average interest earning balance \$million	Interest income \$million	Gross yield %	Gross yield total balance %
Cash and balances at central banks	10,907	51,063	609	2.37	1.95
Gross loans and advances to banks	28,912	28,140	384	2.71	1.34
Gross loans and advances to customers	55,667	158,658	3,584	4.48	3.32
Impairment provisions against loans and advances to banks and customers	–	(4,654)	–	–	–
Investment securities – Treasury and Other Eligible Bills	3,332	15,327	328	4.25	3.49
Investment securities – Debt Securities	9,454	92,020	1,289	2.78	2.52
Investment securities – Equity Shares	2,022	–	–	–	–
Due from subsidiary undertakings and other related parties	–	6,667	16	0.48	0.48
Property, plant and equipment and intangible assets	3,870	–	–	–	–
Prepayments, accrued income and other assets	120,468	–	–	–	–
Investment associates and joint ventures	133	–	–	–	–
<b>Total average assets</b>	<b>234,765</b>	<b>347,220</b>	<b>6,210</b>	<b>3.55</b>	<b>2.12</b>

6 months ended 30.06.22

Average assets	Average non-interest earning balance \$million	Average interest earning balance \$million	Interest income \$million	Gross yield %	Gross yield total balance %
Cash and balances at central banks	17,400	52,957	136	0.52	0.39
Gross loans and advances to banks	27,581	28,987	251	1.75	0.89
Gross loans and advances to customers	57,313	152,326	2,172	2.88	2.09
Impairment provisions against loans and advances to banks and customers	–	(4,959)	–	–	–
Investment securities – Treasury and Other Eligible Bills	3,641	12,879	190	2.97	2.32
Investment securities – Debt Securities	10,101	92,325	748	1.63	1.47
Investment securities – Equity Shares	3,222	–	–	–	–
Due from subsidiary undertakings and other related parties	–	6,106	58	1.92	1.92
Property, plant and equipment and intangible assets	3,840	–	–	–	–
Prepayments, accrued income and other assets	101,770	–	–	–	–
Investment associates and joint ventures	135	–	–	–	–
<b>Total average assets</b>	<b>225,003</b>	<b>340,621</b>	<b>3,555</b>	<b>2.10</b>	<b>1.27</b>



## Supplementary financial information continued

6 months ended 30.06.23

Average liabilities	Average non-interest bearing balance \$million	Average interest bearing balance \$million	Interest expense \$million	Rate paid %	Rate paid total balance %
Deposits by banks	10,610	21,778	301	2.79	1.87
Customer accounts:					
Current accounts	28,958	99,457	1,248	2.53	1.96
Savings deposits	–	18,503	306	3.33	3.33
Time deposits	8,090	108,782	2,090	3.87	3.61
Other deposits	49,308	1,851	44	4.79	0.17
Debt securities in issue	10,015	31,853	807	5.11	3.89
Due to parent companies, subsidiary undertakings & other related parties	–	26,923	1,002	7.51	7.51
Accruals, deferred income and other liabilities	95,976	588	17	5.83	0.04
Subordinated liabilities and other borrowed funds	–	11,437	439	7.74	7.74
Non-controlling interests	1,102	–	–	–	–
Shareholders' funds	40,113	–	–	–	–
	244,172	321,172	6,254	3.93	1.11
Adjustment for Financial Markets funding costs			(619)		
Financial guarantee fees on interest earning assets			36		
<b>Total average liabilities and shareholders' funds</b>	<b>244,172</b>	<b>321,172</b>	<b>5,671</b>	<b>3.56</b>	<b>1.00</b>

6 months ended 31.12.22

Average liabilities	Average non-interest bearing balance \$million	Average interest bearing balance \$million	Interest expense \$million	Rate paid %	Rate paid total balance %
Deposits by banks	11,237	21,340	287	2.71	1.78
Customer accounts:					
Current accounts	29,937	102,933	600	1.18	0.91
Savings deposits	–	19,815	294	2.99	2.99
Time deposits	7,598	97,131	1,238	2.57	2.38
Other deposits	52,832	2,897	67	4.66	0.24
Debt securities in issue	7,150	29,012	330	2.29	1.84
Due to parent companies, subsidiary undertakings & other related parties	–	28,794	766	5.36	5.36
Accruals, deferred income and other liabilities	115,614	516	13	5.09	0.02
Subordinated liabilities and other borrowed funds	–	13,269	330	5.02	5.02
Non-controlling interests	1,145	–	–	–	–
Shareholders' funds	40,764	–	–	–	–
	266,278	315,707	3,925	2.51	1.36
Adjustment for Financial Markets funding costs			(214)		
Financial guarantee fees on interest earning assets			33		
<b>Total average liabilities and shareholders' funds</b>	<b>266,278</b>	<b>315,707</b>	<b>3,744</b>	<b>2.39</b>	<b>1.30</b>

## Supplementary financial information continued

6 months ended 30.06.22

	Average non-interest bearing balance \$million	Average interest bearing balance \$million	Interest expense \$million	Rate paid %	Rate paid total balance %
<b>Average liabilities</b>					
Deposits by banks	13,149	24,250	71	0.58	0.38
Customer accounts:					
Current accounts	34,008	97,888	368	0.75	0.55
Savings deposits	–	21,440	160	1.48	1.48
Time deposits	7,876	92,481	57	0.12	0.11
Other deposits	53,005	4,895	11	0.45	0.04
Debt securities in issue	5,335	30,601	37	0.24	0.20
Due to parent companies, subsidiary undertakings & other related parties	–	29,211	438	2.97	2.97
Accruals, deferred income and other liabilities	94,287	580	15	5.13	0.03
Subordinated liabilities and other borrowed funds	–	15,328	232	3.00	3.00
Non-controlling interests	1,183	–	–	–	–
Shareholders' funds	40,107	–	–	–	–
	248,950	316,674	1,389	0.87	0.49
Adjustment for Financial Markets funding costs			(109)		
Financial guarantee fees on interest earning assets			47		
<b>Total average liabilities and shareholders' funds</b>	<b>248,950</b>	<b>316,674</b>	<b>1,327</b>	<b>0.83</b>	<b>0.49</b>

### Net interest margin

	6 months ended 30.06.23 \$million	6 months ended 31.12.22 \$million	6 months ended 30.06.22 \$million
<b>Net interest margin (NIM)</b>			
Interest income (statutory)	8,533	6,210	3,555
Average interest earning assets	356,954	347,220	340,621
Gross yield (%)	4.82	3.55	2.10
Interest expense (statutory)	6,254	3,925	1,389
Adjustment for Financial Markets trading book funding costs	(619)	(214)	(109)
Financial guarantee fees on interest earning assets	36	33	47
Adjusted interest expense used to fund financial instruments held at fair value	5,671	3,744	1,327
Average interest bearing liabilities	321,172	315,707	316,674
Rate paid (%)	3.56	2.39	0.83
Net yield (%)	1.26	1.16	1.27
Net interest income adjusted for Financial Markets trading book funding costs and Financial guarantee fees on interest earning assets	2,862	2,466	2,228
<b>Net interest margin (%)</b>	<b>1.62</b>	<b>1.41</b>	<b>1.32</b>

# Glossary

## AT1 or Additional Tier 1 capital

Additional Tier 1 capital consists of instruments other than Common Equity Tier 1 that meet the Capital Requirements Regulation (CRR) criteria for inclusion in Tier 1 capital.

## Additional value adjustment

See Prudent valuation adjustment.

## Advanced Internal Rating Based (AIRB) approach

The AIRB approach under the Basel framework is used to calculate credit risk capital based on the Group's own estimates of prudential parameters.

## Alternative performance measures

A financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

## ASEAN

Association of South East Asian Nations (ASEAN) which includes the Group's operations in Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

## AUM or Assets under management

Total market value of assets such as deposits, securities and funds held by the Group on behalf of the clients.

## Basel II

The capital adequacy framework issued by the Basel Committee on Banking Supervision (BCBS) in June 2006 in the form of the International Convergence of Capital Measurement and Capital Standards.

## Basel III

The global regulatory standards on bank capital adequacy and liquidity, originally issued in December 2010 and updated in June 2011. In December 2017, the BCBS published a document setting out the finalisation of the Basel III framework. The latest requirements issued in December 2017 were implemented from 2022.

## BCBS or Basel Committee on Banking Supervision

A forum on banking supervisory matters which develops global supervisory standards for the banking industry. Its members are officials from 45 central banks or prudential supervisors from 27 countries and territories.

## Basis point (bps)

One hundredth of a per cent (0.01 per cent); 100 basis points is 1 per cent.

## CRD or Capital Requirements Directive

An EU capital adequacy legislative package largely implemented or onshored into UK law. The package comprises the Capital Requirements Directive and the Capital Requirements Regulation (CRR) and implements the Basel III framework. CRD IV came into force on 1 January 2014. The EU CRR II and CRD V amending the existing package came into force in June 2019 but many of the changes only started to apply from 28 June 2021 (which is after the date that new EU law stopped applying automatically in the UK). The PRA implemented the UK's version of CRR II on 1 January 2022.

## Capital-lite income

Income derived from products with low RWA consumption or products which are non-funding in nature.

## Capital resources

Sum of Tier 1 and Tier 2 capital after regulatory adjustments.

## CGU or Cash-generating unit

The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

## Cash shortfall

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.

### Clawback

An amount an individual is required to pay back to the Group, which has to be returned to the Group under certain circumstances.

### Commercial real estate

Includes office buildings, industrial property, medical centres, hotels, malls, retail stores, shopping centres, farm land, multi-family housing buildings, warehouses, garages, and industrial properties. Commercial real estate loans are those backed by a package of commercial real estate assets.

### CET1 or Common Equity Tier 1 capital

Common Equity Tier 1 capital consists of the common shares issued by the Group and related share premium, retained earnings, accumulated other comprehensive income and other disclosed reserves, eligible non-controlling interests and regulatory adjustments required in the calculation of Common Equity Tier 1.

### CET1 ratio

A measure of the Group's CET1 capital as a percentage of risk-weighted assets.

### Contractual maturity

Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal and interest is due to be paid.

### Countercyclical capital buffer

The countercyclical capital buffer (CCyB) is part of a set of macroprudential instruments, designed to help counter procyclicality in the financial system. CCyB as defined in the Basel III standard provides for an additional capital requirement of up to 2.5 per cent of risk-weighted assets in a given jurisdiction. The Bank of England's Financial Policy Committee has the power to set the CCyB rate for the United Kingdom. Each bank must calculate its 'institution-specific' CCyB rate, defined as the weighted average of the CCyB rates in effect across the jurisdictions in which it has credit exposures. The institution-specific CCyB rate is then applied to a bank's total risk-weighted assets.

### Counterparty credit risk

The risk that a counterparty defaults before satisfying its obligations under a derivative, a securities financing transaction (SFT) or a similar contract.

### CCF or Credit conversion factor

An estimate of the amount the Group expects a customer to have drawn further on a facility limit at the point of default. This is either prescribed by CRR or modelled by the bank.

### CDS or Credit default swaps

A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.

### Credit institutions

An institution whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account.

### Credit risk mitigation

Credit risk mitigation is a process to mitigate potential credit losses from any given account, customer or portfolio by using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and guarantees.

### CVA or Credit valuation adjustments

An adjustment to the fair value of derivative contracts that reflects the possibility that the counterparty may default such that the Group would not receive the full market value of the contracts.

### Customer accounts

Money deposited by all individuals and companies which are not credit institutions including securities sold under repurchase agreement (see repo/reverse repo). Such funds are recorded as liabilities in the Group's balance sheet under customer accounts.

### Days past due

One or more days that interest and/or principal payments are overdue based on the contractual terms.

### DVA or Debit valuation adjustment

An adjustment to the fair value of derivative contracts that reflects the possibility that the Group may default and not pay the full market value of contracts.

### Debt securities

Debt securities are assets on the Group's balance sheet and represent certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by central banks.

### Debt securities in issue

Debt securities in issue are transferable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.

### Deferred tax asset

Income taxes recoverable in future periods in respect of deductible temporary differences between the accounting and tax base of an asset or liability that will result in tax deductible amounts in future periods, the carry-forward of tax losses or the carry-forward of unused tax credits.

### Deferred tax liability

Income taxes payable in future periods in respect of taxable temporary differences between the accounting and tax base of an asset or liability that will result in taxable amounts in future periods.

### Default

Financial assets in default represent those that are at least 90 days past due in respect of principal or interest and/or where the assets are otherwise considered to be unlikely to pay, including those that are credit-impaired.

### Defined benefit obligation

The present value of expected future payments required to settle the obligations of a defined benefit scheme resulting from employee service.

### Defined benefit scheme

Pension or other post-retirement benefit scheme other than a defined contribution scheme.

### Defined contribution scheme

A pension or other post-retirement benefit scheme where the employer's obligation is limited to its contributions to the fund.

### Delinquency

A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as arrears.

### Deposits by banks

Deposits by banks comprise amounts owed to other domestic or foreign credit institutions by the Group including securities sold under repo.

### Dividend per share

Represents the entitlement of each shareholder in the share of the profits of the Company. Calculated in the lowest unit of currency in which the shares are quoted.

### Early alert, purely and non-purely precautionary

A borrower's account which exhibits risks 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 to credit grade 12 or worse. When an account is on early alert, it is classified as either purely precautionary or non-purely precautionary. A purely precautionary account is one that exhibits early alert characteristics, but these do not present any imminent credit concern. If the symptoms present an imminent credit concern, an account will be considered for classification as non-purely precautionary.

### Effective tax rate

The tax on profit/(losses) on ordinary activities as a percentage of profit/(loss) on ordinary activities before taxation.

### Encumbered assets

On-balance sheet assets pledged or used as collateral in respect of certain of the Group's liabilities.

### EU or European Union

The European Union (EU) is a political and economic union of 27 member states that are located primarily in Europe.

### Eurozone

Represents the 19 EU countries that have adopted the euro as their common currency.

### ECL or Expected credit loss

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

### Expected loss

The Group measure of anticipated loss for exposures captured under an internal ratings-based credit risk approach for capital adequacy calculations. It is measured as the Group-modelled view of anticipated loss based on probability of default, loss given default and exposure at default, with a one-year time horizon.

### Exposures

Credit exposures represent the amount lent to a customer, together with any undrawn commitments.

### EAD or Exposure at default

The estimation of the extent to which the Group may be exposed to a customer or counterparty in the event of, and at the time of, that counterparty's default. At default, the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit.

### ECAI or External Credit Assessment Institution

External credit ratings are used to assign risk-weights under the standardised approach for sovereigns, corporates and institutions. The external ratings are from credit rating agencies that are registered or certified in accordance with the credit rating agencies regulation or from a central bank issuing credit ratings which is exempt from the application of this regulation.

### FCA or Financial Conduct Authority

The Financial Conduct Authority regulates the conduct of financial firms and, for certain firms, prudential standards in the UK. It has a strategic objective to ensure that the relevant markets function well.

### Forbearance

Forbearance takes place when a concession is made to the contractual terms of a loan in response to an obligor's financial difficulties. The Group classifies such modified loans as either 'Forborne – not impaired loans' or 'Loans subject to forbearance – impaired'. Once a loan is categorised as either of these, it will remain in one of these two categories until the loan matures or satisfies the 'curing' conditions described in Note 8 to the financial statements.

### Forborne – not impaired loans

Loans where the contractual terms have been modified due to financial difficulties of the borrower, but the loan is not considered to be impaired. See 'Forbearance'.

### Funded/unfunded exposures

Exposures where the notional amount of the transaction is funded or unfunded. Represents exposures where a commitment to provide future funding is made but funds have been released/not released.

### FVA or Funding valuation adjustments

FVA reflects an adjustment to fair value in respect of derivative contracts that reflects the funding costs that the market participant would incorporate when determining an exit price.

### G-SIBs or Global Systemically Important Banks

Global banking financial institutions whose size, complexity and systemic interconnectedness mean that their distress or failure would cause significant disruption to the wider financial system and economic activity. The list of G-SIBs is assessed under a framework established by the FSB and the BCBS. In the UK, the G-SIB framework is implemented via the CRD and G-SIBs are referred to as Global Systemically Important Institutions (G-SIIs).

### G-SIB buffer

A CET1 capital buffer which results from designation as a G-SIB. The G-SIB buffer is between 1 per cent and 3.5 per cent, depending on the allocation to one of five buckets based on the annual scoring. In the EU, the G-SIB buffer is implemented via CRD IV as Global Systemically Important Institutions (G-SII) buffer requirement.

### **Hong Kong regional hub**

Standard Chartered Bank (Hong Kong) Limited and its subsidiaries including the primary operating entities in China, Korea and Taiwan. Standard Chartered PLC is the ultimate parent company of Standard Chartered Bank (Hong Kong) Limited.

### **Interest rate risk**

The risk of an adverse impact on the Group's income statement due to changes in interest rates.

### **IRB or internal ratings-based approach**

Risk-weighting methodology in accordance with the Basel Capital Accord where capital requirements are based on a firm's own estimates of prudential parameters.

### **Internal model approach**

The approach used to calculate market risk capital and RWA with an internal market risk model approved by the PRA under the terms of CRD/CRR.

### **IAS or International Accounting Standard**

A standard that forms part of the International Financial Reporting Standards framework.

### **IASB or International Accounting Standards Board**

An independent standard-setting body responsible for the development and publication of IFRS, and approving interpretations of IFRS standards that are recommended by the IFRS Interpretations Committee (IFRIC).

### **IFRS or International Financial Reporting Standards**

A set of international accounting standards developed and issued by the International Accounting Standards Board, consisting of principles-based guidance contained within IFRSs and IASs. All companies that have issued publicly traded securities in the EU are required to prepare annual and interim reports under IFRS and IAS standards that have been endorsed by the EU.

### **IFRIC**

The IFRS Interpretations Committee supports the IASB in providing authoritative guidance on the accounting treatment of issues not specifically dealt with by existing IFRSs and IASs.

### **Income Return on risk weighted assets (IRORWA)**

Annualised income excluding Debit Valuation Adjustment as a percentage of Average RWA.

### **Investment grade**

A debt security, treasury bill or similar instrument with a credit rating measured by external agencies of AAA to BBB.

### **Leverage ratio**

A ratio introduced under CRD IV that compares Tier 1 capital to total exposures, including certain exposures held off-balance sheet as adjusted by stipulated credit conversion factors. Intended to be a simple, non-risk-based backstop measure.

### **Liquidation portfolio**

A portfolio of assets which is beyond our current risk appetite metrics and is held for liquidation.

### **LCR or Liquidity coverage ratio**

The ratio of the stock of high-quality liquid assets to expected net cash outflows over the following 30 days. High-quality liquid assets should be unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible.

### **Loan exposure**

Loans and advances to customers reported on the balance sheet held at amortised cost or FVOCI, non-cancellable credit commitments and cancellable credit commitments for credit cards and overdraft facilities.

### **Loans and advances to customers**

This represents lending made under bilateral agreements with customers entered into in the normal course of business and is based on the legal form of the instrument.

### **Loans and advances to banks**

Amounts loaned to credit institutions including securities bought under Reverse repo.

### LTV or loan-to-value ratio

A calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The loan-to-value ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

### Loans past due

Loans on which payments have been due for up to a maximum of 90 days including those on which partial payments are being made.

### Loans subject to forbearance – impaired

Loans where the terms have been renegotiated on terms not consistent with current market levels due to financial difficulties of the borrower. Loans in this category are necessarily impaired. See 'Forbearance'.

### Loss rate

Uses an adjusted gross charge-off rate, developed using monthly write-off and recoveries over the preceding 12 months and total outstanding balances.

### LGD or Loss given default

The percentage of an exposure that a lender expects to lose in the event of obligor default.

### Low returning clients

See 'Perennial sub-optimal clients'.

### Malus

An arrangement that permits the Group to prevent vesting of all or part of the amount of an unvested variable remuneration award, due to a specific crystallised risk, behaviour, conduct or adverse performance outcome.

### Master netting agreement

An agreement between two counterparties that have multiple derivative contracts with each other that provides for the net settlement of all contracts through a single payment, in a single currency, in the event of default on, or termination of, any one contract.

### Mezzanine capital

Financing that combines debt and equity characteristics. For example, a loan that also confers some profit participation to the lender.

### Net asset value (NAV) per share

Ratio of net assets (total assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.

### Net exposure

The aggregate of loans and advances to customers/loans and advances to banks after impairment provisions, restricted balances with central banks, derivatives (net of master netting agreements), investment debt and equity securities, and letters of credit and guarantees.

### NII or Net interest income

The difference between interest received on assets and interest paid on liabilities.

### NSFR or Net stable funding ratio

The ratio of available stable funding to required stable funding over a one-year time horizon, assuming a stressed scenario. It is a longer-term liquidity measure designed to restrain the amount of wholesale borrowing and encourage stable funding over a one-year time horizon.

### NPLs or non-performing loans

An NPL is any loan that is more than 90 days past due or is otherwise individually impaired. This excludes Retail loans renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected.

### Non-linearity

Non-linearity of expected credit loss occurs when the average of expected credit loss for a portfolio is higher than the base case (median) due to the fact that bad economic environment could have a larger impact on ECL calculation than good economic environment.



### Normalised items

See 'Underlying/Normalised' on page 10.

### Operating expenses

Staff and premises costs, general and administrative expenses, depreciation and amortisation. Underlying operating expenses exclude expenses as described in 'Underlying earnings'. A reconciliation between underlying and statutory earnings is contained in Note 2 to the financial statements.

### Operating income or operating profit

Net interest, net fee and net trading income, as well as other operating income. Underlying operating income represents the income line items above, on an underlying basis. See 'Underlying earnings'.

### OTC or Over-the-counter derivatives

A bilateral transaction (e.g. derivatives) that is not exchange traded and that is valued using valuation models.

### OCA or Own credit adjustment

An adjustment to the Group's issued debt designated at fair value through profit or loss that reflects the possibility that the Group may default and not pay the full market value of the contracts.

### Perennial sub-optimal clients

Clients that have returned below 3% return on risk-weighted assets for the last three years

### Physical risks

The risk of increased extreme weather events including flood, drought and sea level rise.

### Pillar 1

The first pillar of the three pillars of the Basel framework which provides the approach to calculation of the minimum capital requirements for credit, market and operational risk. Minimum capital requirements are 8 per cent of the Group's risk-weighted assets.

### Pillar 2

The second pillar of the three pillars of the Basel framework which requires banks to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other suitable mitigants are not available.

### Pillar 3

The third pillar of the three pillars of the Basel framework which aims to provide a consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk practices.

### Priority Banking

Priority Banking customers are individuals who have met certain criteria for deposits, AUM, mortgage loans or monthly payroll. Criteria varies by country.

### Private equity investments

Equity securities in operating companies generally not quoted on a public exchange. Investment in private equity often involves the investment of capital in private companies. Capital for private equity investment is raised by retail or institutional investors and used to fund investment strategies such as leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.

### PD or Probability of default

PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation over a given time horizon.

### Probability weighted

Obtained by considering the values the metric can assume, weighted by the probability of each value occurring.

### Profit (loss) attributable to ordinary shareholders

Profit (loss) for the year after non-controlling interests and dividends declared in respect of preference shares classified as equity.

### PVA or Prudent valuation adjustment

An adjustment to CET1 capital to reflect the difference between fair value and prudent value positions, where the application of prudence results in a lower absolute carrying value than recognised in the financial statements.

### PRA or Prudential Regulation Authority

The Prudential Regulation Authority is the statutory body responsible for the prudential supervision of banks, building societies, credit unions, insurers and a small number of significant investment firms in the UK. The PRA is a part of the Bank of England.

### Repo/reverse repo

A repurchase agreement or repo is a short-term funding agreement, which allows a borrower to sell a financial asset, such as asset-backed securities or government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future), it is a reverse repurchase agreement or reverse repo.

### Residential mortgage

A loan to purchase a residential property which is then used as collateral to guarantee repayment of the loan. The borrower gives the lender a lien against the property, and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a home loan.

### RoRWA or Return on risk-weighted assets

Profit before tax for year as a percentage of RWA. Profit may be statutory or underlying and is specified where used. See 'RWA' and 'Underlying earnings'.

### RWA or Risk-weighted assets

A measure of a bank's assets adjusted for their associated risks, expressed as a percentage of an exposure value in accordance with the applicable standardised or IRB approach provisions.

### Risks-not-in-VaR (RNIV)

A framework for identifying and quantifying marginal types of market risk that are not captured in the Value at Risk (VaR) measure for any reason, such as being a far-tail risk or the necessary historical market data not being available.

### Roll rate

Uses a matrix that gives average loan migration rate from delinquency states from period to period. A matrix multiplication is then performed to generate the final PDs by delinquency bucket over different time horizons.

### Secured (fully and partially)

A secured loan is a loan in which the borrower pledges an asset as collateral for a loan which, in the event that the borrower defaults, the Group is able to take possession of. All secured loans are considered fully secured if the fair value of the collateral is equal to or greater than the loan at the time of origination. All other secured loans are considered to be partly secured.

### Securitisation

Securitisation is a process by which credit exposures are aggregated into a pool, which is used to back new securities. Under traditional securitisation transactions, assets are sold to a structured entity which then issues new securities to investors at different levels of seniority (credit tranching). This allows the credit quality of the assets to be separated from the credit rating of the originating institution and transfers risk to external investors in a way that meets their risk appetite. Under synthetic securitisation transactions, the transfer of risk is achieved by the use of credit derivatives or guarantees, and the exposures being securitised remain exposures of the originating institution.

### Senior debt

Debt that takes priority over other unsecured or otherwise more 'junior' debt owed by the issuer. Senior debt has greater seniority in the issuer's capital structure than subordinated debt. In the event the issuer goes bankrupt, senior debt theoretically must be repaid before other creditors receive any payment.

### SICR or Significant increase in credit risk

Assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after considering the passage of time).

### Solo

The solo regulatory group as defined in the Prudential Regulation Authority waiver letter dated 7 June 2023 differs from Standard Chartered Bank Company in that it includes the full consolidation of six subsidiaries, namely Standard Chartered Holdings (International) B.V., Standard Chartered MB Holdings B.V., Standard Chartered Grindlays PTY Limited, SCMB Overseas Limited, Standard Chartered Capital Management (Jersey) LLC and Cerulean Investments L.P.

### Sovereign exposures

Exposures to central governments and central government departments, central banks and entities owned or guaranteed by the aforementioned. Sovereign exposures, as defined by the European Banking Authority, include only exposures to central governments.

### Stage 1

Assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months expected credit losses.

### Stage 2

Assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

### Stage 3

Assets that are in default and considered credit-impaired (non-performing loans).

### Standardised approach

In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.

### Structured note

An investment tool which pays a return linked to the value or level of a specified asset or index and sometimes offers capital protection if the value declines. Structured notes can be linked to equities, interest rates, funds, commodities and foreign currency.

### Subordinated liabilities

Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.

### Tier 1 capital

The sum of Common Equity Tier 1 capital and Additional Tier 1 capital.

### Tier 1 capital ratio

Tier 1 capital as a percentage of risk-weighted assets.

### Tier 2 capital

Tier 2 capital comprises qualifying subordinated liabilities and related share premium accounts.

### TLAC or Total loss absorbing capacity

An international standard for TLAC issued by the FSB, which requires G-SIBs to have sufficient loss-absorbing and recapitalisation capacity available in resolution, to minimise impacts on financial stability, maintain the continuity of critical functions and avoid exposing public funds to loss.

### Transition risks

The risk of changes to market dynamics or sectoral economics due to governments' response to climate change.

### UK bank levy

A levy that applies to certain UK banks and the UK operations of foreign banks. The levy is payable each year based on a percentage of the chargeable equities and liabilities on the Group's UK tax resident entities' balance sheets.

Key exclusions from chargeable equities and liabilities include Tier 1 capital, insured or guaranteed retail deposits, repos secured on certain sovereign debt and liabilities subject to netting.

### Unbiased

Not overly optimistic or pessimistic, represents information that is not slanted, weighted, emphasised, de-emphasised or otherwise manipulated to increase the probability that the financial information will be received favourably or unfavourably by users.

### Unlikely to pay

Indications of unlikeliness to pay shall include placing the credit obligation on non-accrued status; the recognition of a specific credit adjustment resulting from a significant perceived decline in credit quality subsequent to the Group taking on the exposure; selling the credit obligation at a material credit-related economic loss; the Group consenting to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or, where relevant fees; filing for the obligor's bankruptcy or a similar order in respect of an obligor's credit obligation to the Group; the obligor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of a credit obligation to the Group.

### VaR or Value at Risk

A quantitative measure of market risk estimating the potential loss that will not be exceeded in a set time period at a set statistical confidence level.

### ViU or Value-in-Use

The present value of the future expected cash flows expected to be derived from an asset or CGU.

### Write-downs

After an advance has been identified as impaired and is subject to an impairment provision, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write-downs will occur when, and to the extent that, the whole or part of a debt is considered irrecoverable.

### XVA

The term used to incorporate credit, debit and funding valuation adjustments to the fair value of derivative financial instruments. See 'CVA', 'DVA' and 'FVA'.